

# NEW FRONTIERS

• PERIODICAL STUDIES IN ECONOMICS AND POLITICS •

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## Consumers' Cooperation — A Social Interpretation

By **HARRY W. LAIDLER**



## The Consumers' Cooperative Movement A Factual Survey

By **WALLACE J. CAMPBELL**

THE LEAGUE FOR INDUSTRIAL DEMOCRACY is a membership society engaged in education toward a social order based on production for use and not for profit. To this end the League conducts research, lecture and information services, suggests practical plans for increasing social control, organizes city chapters, publishes books and pamphlets on problems of industrial democracy, and sponsors conferences, forums, luncheon discussions and radio talks in leading cities where it has chapters.

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## THE CONSUMERS' COOPERATIVE MOVEMENT A FACTUAL SURVEY

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## CONSUMERS' COOPERATION — A SOCIAL INTERPRETATION

By HARRY W. LAIDLER

IN MANY COUNTRIES of the world, farmers and industrial workers are effectively organized as *producers* in marketing cooperatives and labor unions; as *citizens*, in Farmer-Labor, Labor, Socialist and other parties; as *students*, in workers' educational organizations; and as *consumers*, in consumers' cooperatives. Many have taken part in these movements as a means of attaining higher living standards for themselves and their fellows. Many others have regarded these movements as powerful agencies for the building of a new, a cooperative social order under which industry would be operated not for private profit, but for the service of all.

One of the most fascinating of modern-day social movements is that of consumers' cooperation. Beginning in England nearly a century ago with a mere handful of followers, this movement is now a potent force in the economic life of over two score of the nations of the world. Its membership reaches nearly one hundred million. Its yearly business mounts into the billions.

In striking contrast with the situation in numerous countries abroad, the consumers' cooperative movement in this country for decades found it difficult to attract large numbers of consumers. The reasons for this are not far to seek. For generations we in America were engaged in the gigantic task of exploring and settling a great continent. We centered our attention more on the question of *production* than on that of *distribution*. Our philosophy was that of individualism. Our population came from many lands and cooperatives controlled by immigrant groups from one country were unable successfully to cater to working class families with different national and racial backgrounds.

Many cooperative ventures, moreover, were started without an adequate knowledge of the fundamentals of cooperation. Many drifted into the control of inefficient managers or of promoters who sought to use the movement for private ends. The emergence of the chain store and of the large department and mail order stores before consumers' cooperation gained genuine headway in America, likewise made it difficult for many an incipient cooperative undertaking to survive.



## *The Promise of American Cooperatives*

THE situation today is more favorable than formerly to the success of consumers' cooperation. The pioneer stage of our national development is now over, and problems of distribution are demanding and receiving far greater attention than in former days. With the rise of large scale industry, the economic basis for our philosophy of individualism is rapidly narrowing. Our immigrant population has drastically decreased, and working class communities are tending to become more homogeneous. Cooperative education is advancing. Inefficiency and dishonesty in the movement are being weeded out. The bitter competition from chain stores remains, but the development of cooperative wholesales; the greater attention now paid in co-ops to scientific management; the tendency on the part of cooperatives to specialize, during their early stages, in the sale of those commodities where the margin of profit is large—all have placed the movement in a better position to compete against large private corporate units than in former days.

As a result of these changes and of increased insecurity in our national life, the cooperative movement in the United States has, of late, taken on a new vitality. The recent development of cooperatives in this country, as well as that abroad, is concisely and accurately described by Wallace Campbell of The Cooperative League of the U.S.A. in subsequent pages. I shall not repeat that description.

The story of progress in this movement during the last few years is an encouraging one. It indicates that, in volume of trade, in variety of cooperative enterprises, and in extent of working class and middle class membership, consumers' cooperation is likely to assume increasing importance in this country in the years ahead.

### *Some Advantages of Consumers' Cooperation*

EVERY one interested in the cause of economic democracy should give this movement his ardent support. For consumers' cooperation, as its history abroad shows, has definite economic and psychological values for its members and for society as a whole. These advantages may be briefly summarized.

1. Cooperatives *reduce the cost of living* to large numbers of people by eliminating the profits of middle-men and by avoiding many of

the wastes connected with the distribution of goods by small, inefficient private firms.

A recent report of retail prices in Denmark indicates that the prices charged for food in the cooperative stores in that country are 7 per cent lower than those charged in private stores, if patronage refunds are not taken into account, and 14 per cent lower, if those refunds are included.<sup>1</sup> In France, prices in cooperatives seem to be 5 per cent to 6 per cent lower than in private shops. In many countries, cooperatives, by setting lower prices, have forced down prices charged consumers as a whole by private merchants. Thus "the Danish Wholesale Society's flour mill, the largest in the country," declares President Roosevelt's Commission on Cooperation, "supplies only three-fourths of the cooperative demand," but it exercises "effective control over all Danish flour prices."<sup>2</sup>

2. The cooperative movement *raises the quality of goods* sold. Members of cooperative enterprises naturally wish to supply themselves with good quality goods in full weight and measure. They have no incentive to misrepresent the quality of the goods sold to themselves. "Many societies make a point of informing their members about the factors of value in goods they offer." In the Finnish wholesale cooperatives everything bought is tested. About 25 per cent of all goods examined is rejected because of inferior quality.<sup>3</sup>

At times cooperatives have been induced to keep in stock advertised brands demanded by their members, even though tests have shown that these brands were not as represented. But in general the cooperator may be assured that the goods sold by co-ops are as represented.

3. The cooperative movement *provides better conditions for its employees* than do comparable private establishments. The recent Report of the President Roosevelt Commission above mentioned again declares:

"Cooperative spokesmen claim that their workers are better paid and better treated than those of their private competitors. That seems to be true in all of the countries visited. In most of these countries, cooperative enterprise started as a labor movement. Cooperatives and labor unions are friendly and work together. Unions use cooperative labor standards to bring pressure on private employers. In many



cases, cooperative enterprises operate on a closed shop basis, regardless of the attitude of their competitors. . . .

"Higher wages are particularly characteristic of employment in stores and offices. In manufacturing and transport, rates, in many cases, already are set by the unions, and cooperative wages tend to be approximately the same as those already paid, or only slightly higher. The cooperatives provide shorter hours, more generous vacations and pension arrangements and tend to furnish more secure employment than is generally the case in private trade. There are some exceptions, but cooperatives are among the best employers from the point of view of the workers. In Sweden, according to a labor official, the 3,000 retail workers in Konsum in Stockholm average 10 per cent to 15 per cent higher wages per month than corresponding workers in private retail trade."

Hours are usually somewhat shorter among cooperative employees. A survey made by the British Parliamentary Committee on Shop Assistants in 1931 indicated that actual hours worked by cooperative employees were appreciably lower than for other employees. Some cooperatives give to employees numerous other advantages not enjoyed by workers in private concerns. Thus in Finland employees of the consumer cooperative, Elanto, receive, without charge, a small life insurance and free medical treatment for themselves and families. They are provided with a "recreation home" with supervision for children, and are entitled to attend educational classes and musical clubs free and to receive other free services."

The British cooperative movement provides for retirement of employees on pension, usually at 65. In Sweden workers in cooperative stores obtain three months' free medical care in time of illness and annual vacations of 10 to 13 days with pay, with usual vacations in private trade being from 5 to 8 days. There is usually, moreover, a greater sense of security in cooperative, than in private industry.

4. Consumers' cooperation is frequently of *material assistance to organized labor* in its struggle for better conditions. A vivid example of the type of aid that can be rendered to labor by cooperatives was that given during the dockers' strike in Dublin in 1913.

During this strike for higher wages, the strikers were holding out bravely, but were desperately in need of food. The Parliamentary



Committee of the British Trade Union Congress decided to give the strikers \$25,000 for provisions. The Committee tried to obtain a loan for that amount on a promissory note from English bankers, but were promptly and emphatically refused. The Committee then applied to the Cooperative Wholesale Society of England. "Will you supply 30,000 starving Irish workers with food on the guarantee of our note?" the Committee asked. The cooperative answered without hesitation in the affirmative, and forty-eight hours thereafter sixty thousand packages of food, containing potatoes, butter, tea, canned fish, jam, sugar, etc., were on the ship ready for the trip to Ireland. The Cooperative Wholesale Society sent 17 more shiploads of food before the end of the strike, besides large quantities sent through other channels. Finally the employees of the Wholesale gave as a Christmas gift to the Irishmen nearly 900 tons of coal and many hundred weight of other food supplies.

In the 1920 strike of the National Union of Railwaymen in 1920, the union was prevented by the bankers from utilizing its funds for the immediate payment of strike benefits. The Cooperative Wholesale issued checks payable at the cooperative societies and the societies honored the vouchers issued by the local strike committee. "This prevented the government," declared a labor paper at that time, "from putting in operation a project to starve out the railwaymen's families by withdrawing their ration cards or withholding the food supplies under government control." \*

Numerous other instances may be mentioned of vital assistance offered to the labor movement and to farm marketing co-ops by cooperatives in Great Britain, Belgium, the Scandinavian and other countries.

5. Consumers' cooperation provides to many a *valuable schooling in democracy in industry*. Each cooperative enterprise gives an opportunity to its members to participate on an equal basis with their fellow members in the conduct of its affairs. In the voluntary cooperative movement, as Sidney and Beatrice Webb have brought out, "the poorest, youngest, humblest adult of either sex, who yesterday made his first purchase, if he has paid his minimum share allotment, is equally governor and controller of the whole colossal enterprise, has equal vote and voice in the decisions of its most momentous issues with

the man who has been a member since its establishment and has accumulated in share and loan capital the very maximum that the rules permit.”<sup>7</sup>

Consumers’ cooperation has assisted the movement toward democracy in industry in other ways. It has given to millions of working class consumers a realistic experience in the conduct of industry. It has whetted the appetite of the masses for further control of their industrial life. It has strengthened their belief in the practicability of production and distribution for use and not for profit.

6. The cooperative movement provides still another example of the *efficient working of non-profit incentives in industry*. “No private fortune has ever been made,” as the Webbs declared, “out of cooperative administration.”<sup>8</sup> J. T. W. Mitchell, who for over twenty years had served as chairman of the Cooperative Wholesale, received a salary of only about \$2,000 a year at a time when the gross income of that organization amounted to over one hundred million dollars. “I enjoy the respect of my colleagues. I possess great power. I have a great faith in the cooperative ideal,” he declared to John Graham Brooks. “These things satisfy me.”<sup>9</sup>

Similar non-profit incentives have motivated thousands of executives in the cooperative movement in all parts of Europe during the last few decades.

7. Consumers’ cooperation, in practically every country, through its cooperative schools and colleges, its newspapers and periodicals, its thousands of lectures and classes *performs an educational work of immense value* along social and economic lines.<sup>10</sup>

8. The cooperative movement *helps to lay the foundation for a future cooperative commonwealth* in other ways: by delimiting, in many countries, the sphere of private enterprise and weakening the power of private capitalism to oppose the coming of a cooperative social order; by demonstrating what type of cooperative effort is likely to succeed, and what is likely to fail in different categories of industry; and, in times of capitalist collapse, such as was experienced in Russia in 1918, by helping to keep the life-blood of industry flowing.

Consumers’ cooperation has thus proved to be a movement of great value and is destined to become one of steadily increasing significance in the days ahead.



## *Problems Facing Consumers' Cooperation*

THE movement is, however, faced with certain dangers, and the unsolved problems before it are indeed great. On the one extreme, the movement is in danger of being regarded as a mere instrument for returning so many dollars in dividends to member consumers at the end of every quarter.

On the other extreme, it runs the risk of being looked to as the one road to Utopia. During recent years in the United States many advocates of consumers' cooperation have unfortunately sought to convince their followers that it was unnecessary for them to develop trade union or political organizations of workers. All that they needed to do was to organize cooperative societies and their problems would be solved.

These same cooperators, many of them, have maintained that the cooperative commonwealth of the future would consist almost wholly of voluntary cooperative groups. There would be little or no place for publicly owned industry, for public industries were owned by the state, and the political state was an evil to be abolished.

In taking this position these advocates have failed to appraise adequately the part thus far played by publicly owned industry in the world of today and to consider carefully the reasons why society, in many fields of effort, has transferred industry from private ownership to public hands rather than from private to voluntary cooperative groups. They have lost sight of the great part that must necessarily be played in a cooperative society by industry owned and operated by the democratic state.

A consumers' cooperative movement in America must steer a straight course between these two extremes if it is to be of maximum social value.

## *Voluntary Cooperation vs. Public Ownership*

ITS LEADERS and its rank-and-file members must recognize a number of truths. 1. They must realize that, while there are certain domains of industry in which voluntary cooperation can function efficiently, there are other large spheres of our economic life in which publicly owned enterprise constitutes the logical form of collective endeavor.

Sidney and Beatrice Webb maintained some years ago that the value of the property controlled by governments was approximately a hundred times as great as that possessed by voluntary cooperative enterprises. The total capital involved in undertakings conducted by British municipalities alone was about 15 times as great as that possessed by consumers' cooperatives.<sup>11</sup>

Voluntary cooperation has thus far succeeded primarily in the field of retail distribution, in the sale of standardized commodities used daily by the masses. "Experience proves," assert the Webbs, "that the consumers of household requisites within a given neighborhood—the housekeepers, who, day by day, are in and out of the cooperative society's premises; who, hour by hour, are testing, by personal consumption, the quality of the goods supplied; who are able to attend the members' meetings and become acquainted with the candidates for representatives on the governing bodies of the store and of the federal organizations"—actually do form a practicable constituency for a democratically controlled cooperative enterprise.

"On the other hand, it can hardly be suggested that the millions of persons who send letters and telegrams, or who travel or consign goods and parcels by a nationalized railway system, could be marshaled into an effective democracy for controlling the management of the post-office and transport services. Similarly, the hundreds of thousands of separate individuals who travel on the tramway service of London or any other great city, would constitute an impossible electoral unit for the creation of a democratic tramway authority. Further, many municipal services, like education and medical treatment, are actually used at any one time by only a small minority of the community, but are necessarily paid for by the community as a whole, whilst the interdependence of all the municipal services one with the other—of education with public health, of drainage with the water supply, of housing with transit and parks, of roads with the building regulations—would make a number of separate *ad hoc* bodies for the management of each service a cumbrous, if not impossible, form of democracy. Moreover, there are certain services which necessarily involve, not only the compulsory taxation of non-users, but also compulsory regulation, and the suppression of anti-social conduct, among all the inhabitants.

"Finally, there is the question of the monopoly of certain factors,



such as land or coal, and that of the common enjoyment of others, such as the air and the supplies of pure water. Each of these entails the consideration of other interests besides those of any group of local consumers of particular products. For all these reasons, it seems that, whilst the appropriate sphere of voluntary associations of consumers may be vast and increasing, it has its limits." <sup>12</sup>

Many cooperators, in their zeal for the movement, have neglected to analyze in any scientific manner the fields best adapted to voluntary cooperation and those best fitted for public ownership and have done their cause a serious disservice by their over-optimistic statements regarding the place of cooperation in a future society.

Under a cooperative commonwealth, it is likely that public ownership and voluntary cooperative industry will exist side by side in many lines of effort. The natural resources, the public utilities, the banks and the principal manufacturing establishments are likely to be in the hands of government agencies. In retail distribution, in many countries, on the other hand, consumers' cooperation may constitute the dominant form of industrial organization. Attached to retail co-ops might be numerous cooperative factories. In agriculture there would exist, in all probability, a large amount of voluntary cooperation. Such cooperative groups would also be encouraged to enter the field of magazine publication and to assume an important role in cultural activities. It would be quite practicable, if mining, shipping and the manufacture of this or that commodity came to be organized as national services, to permit any consumers' cooperative society, or any federation of such societies, to have its own mines, ships or factories, for the supply of its own members, co-existent with the same services conducted by municipalities or national departments and even in rivalry with them, if the members of the cooperative societies thought such a course expedient.

"There are many advantages," as the Webbs have brought out, "not only in the greatest possible freedom of development in the cooperative commonwealth, but also in actual variety of organization, and, subject to the systematic arrangements for accurate costing, audit, and publicity, for the emulation that can be evoked." <sup>13</sup>

While it is folly to predict just what sphere of industry under a non-profit system would, in the course of time, be allocated to voluntary cooperative enterprises, and what to publicly owned undertak-

ings, it is clear from any careful study of the trend of the times that voluntary cooperation would, at best, occupy only a part of the industrial field, and that, in all probability, community-owned industry would play a large part in economic affairs.

### *Organized Labor and Cooperatives*

2. Cooperators, if they are to serve their movement most effectively, should recognize other truths. In operating cooperative enterprises, they should lay due emphasis on the value of the trade union movement and of the political and the cultural movements of workers of hand and brain and seek to strengthen these movements.

As I have before pointed out, the cooperative movement abroad has been, in general, a genuine boon to labor. Cooperative employees have worked under more satisfactory conditions than have employees in private concerns. Today, in most countries, most of the employees in cooperative undertakings are members of organized labor.

However, it has taken many years to develop in the cooperative movement an adequate machinery for the adjustment of disputes between the cooperative management and the employees of the co-ops.

"Cooperators have always felt that their employees ought to be working under the best conditions prevailing at any given time," declared Messrs. Hall and Watkins. But "it was not until cooperators found themselves confronted by their employees arrayed as a fighting force that they realized that industrial peace does not arise spontaneously within the movement, but has to be organized with trade union help."

In fact, in Great Britain, the cooperative store movement was almost 50 years old, reckoning from the Rochdale Pioneers, before its employees began to set up their own organizations. For many years in the present century there was almost continuous conflict between the Amalgamated Union of Cooperative Employees and the cooperative managements. Finally an agreement was reached in 1926 between the unions and the cooperative movement for the settlement of disputes which works rather satisfactorily.

Under this agreement, a National Conciliation Board has been set up for the adjustment of disputes when direct negotiations between a trade union and a cooperative body have broken down. The dispute must be referred to the Board within 7 days of the breakdown and



the Board must meet within 14 days of reference. No lockout or strike is to be declared unless the dispute has been referred to the Board, and the Board has not succeeded in finding a satisfactory settlement.

The organization of this machinery has met with considerable success, although the Board has failed to obtain the support of the Co-operative Wholesale Society and its subsidiary concerns.

Proper relationships between the cooperative management and the employees of the co-ops are still to be worked out in the United States. Most of the large consumers' cooperative undertakings in this country were started by farming groups which had little experience with the problems of industrial workers, and most of the employees of these co-ops were brought up in country districts. The problem has been further complicated by the weakness thus far of the organized labor movement, particularly in the distributive trades; the practice of some trade unions of making excessive demands on cooperative establishments, and the lack of flexibility on the part of many labor organizations. The result has been that the largest section of the co-operative movement has been out of touch with organized labor and, as a corollary, organized labor has been as a whole unconscious of the importance of the cooperative development.

There are of course several notable exceptions to this statement. The employees of the Central Cooperative Wholesale, Superior, Wisconsin, are organized in trade union organizations. The technical employees at Midland Cooperative Wholesale of Minneapolis are now members of the Petroleum Workers' Union. The Consumers' Cooperative Association of Racine, Wisconsin, is composed largely of trade unionists and the association takes it for granted that its employees will be members of their respective unions. As a consequence, in this association there are several members of the Service Station Attendants' Union and of the Retail Clerks' Protective Union, among others.

The Cooperative Trading Company in Brooklyn, the Cooperative Bakery in Brownsville, the Amalgamated Cooperative Houses and several other similar organizations have contracts with the unions covering their employees. Cooperative Distributors, New York, claims to have recognized the first closed shop in the department store field in New York City. The office employees of a number of the central co-operative organizations are members of their respective unions. In the office of the Cooperative League some members of the staff belong

to the Bookkeepers, Stenographers and Accountants Union and one or more is affiliated with the Newspaper Guild.

The question has arisen in a number of cooperatives as to whether cooperative employees should organize in unions composed entirely of workers for co-ops, or whether they should join the unions of their respective crafts or industries, controlled largely by employees of private corporations. Those favoring separate unions for co-op employees maintain that such unions would be more likely to understand the peculiar problems facing a cooperative undertaking than would those engaged in a constant struggle with managers and owners of corporations whose chief aim was private gain.

Advocates of participation by cooperative employees in the general trade union movement, on the other hand, contend that such participation places these workers in a stronger position to obtain their just dues and that it brings the cooperative movement and organized labor into more sympathetic touch with each other.

Every cooperative undertaking should see to it that its employees are organized in the most effective organization in their respective fields, and that an efficient bargaining machinery is worked out which will adequately safeguard the interests of employee and consumer. The larger industrial and educational agencies of the cooperative movement should formulate model sets of rules and regulations covering the problem of collective bargaining between co-ops and their workers and should organize permanent boards to assist in proper labor relationships.

### *Cooperatives and Politics*

3. Most of the members and leaders of the cooperative movement abroad are also members of political parties of industrial workers and farmers. In some countries, there is a definite official tie-up between the consumers' and the political movement, although officially many of the cooperative movements are politically neutral.

In Great Britain the cooperative movement at first eschewed politics. By 1902, however, the co-ops "learned the lesson that, in capitalist society, political action is dictated by economic power," and created a Joint-Parliamentary Committee of the Cooperative Congress to protect their general interests against the business groups in control of the machinery of government. Ten years later, William



Maxwell, head of the Scottish Wholesale, urged the Congress to effect a fusion of forces between the cooperative movement, the trade unions and the Labor party, with a view "not to bring politics into cooperation, but to take cooperation into politics."

Five years later, in 1917, during the World War, the government tried to impose the excess profits duty upon this non-profit organization. The cooperators as a result rose as one man in their wrath. "The time has now arrived," declared a resolution passed in that year at the Swansea Congress, "for the cooperative movement to take the necessary steps to secure direct representation in Parliament as the only way of effectively voicing its demands and safeguarding its interests."

The resolution passed with a large majority. Six months later a special national conference approved a draft plan for securing cooperative representation in Parliament and on local municipal and administrative bodies. In 1918 the cooperative movement elected its first representative to Parliament. In 1937 it was represented in Parliament by nine members.

The Cooperative party works closely with the Labor party, the local branches joining with labor in joint campaigns for local and parliamentary candidates. Its aims are both to make the mass of cooperators politically conscious, and to permeate the Labor party with knowledge of cooperative ideas and practice. It is doubtful if it ever again assumes the role of political neutrality which it adopted in the early days.<sup>15</sup>

In the United States, the movement has thus far given little attention to politics. As consumers' cooperation becomes stronger, an attempt is bound to be made increasingly to pass discriminatory laws against cooperators. In an endeavor to push bills favorable to the cooperative movement and to defeat legislative measures directed against this movement, the cooperative societies in Minnesota in the 1937 session of the legislature were represented more strongly than in any previous year, and cooperated more closely with the Farmer-Labor party of that state. As a farmer-labor political movement develops in the United States, it is probable that the cooperatives will,

as in many European countries, make a formal or unofficial alliance for offense and defense with such a political mass movement.

### *Cooperatives vs. Capitalism*

MANY other cooperators realize that, if they are going to carry the non-profit ideal enunciated in the consumers' cooperative movement to its logical conclusion, and eliminate all essential industries from the sphere of private ownership, they must join as citizens with those who believe in that ideal, place the representatives of the masses in control of government and use the political state to transfer large and essential industries from private to public ownership. They know that economic waste, gross inequalities of wealth, exploitation, dictatorship and war, the fruits of a capitalist order, cannot be eliminated by the cooperative movement alone.

"The essence of cooperation," declared Harold J. Laski in addressing the British cooperative movement, "is a denial that the profit-making motive can ever produce a just or humane society. My inference from this is the vital one that between cooperation and capitalism there can be no peace. They are mutually exclusive conceptions of society. The one seeks to end the exploitation of man by man; the life of the other is built upon that of exploitation. The one puts need where the other puts profit. The one thinks of the community as a great fellowship of consumers integrated into unity by common wants; the other thinks of it as an aggregate of individuals whose rights are measured only by the effective demand they embody. The one thinks of international trade as an exchange of goods and services to mutual advantage; how the other regards it is shown, dramatically enough, not merely by tariff and subsidy and quota, but, even more, by Japanese aggression in China, and Italian imperialism in Abyssinia. The cooperative movement is an exercise in fellowship, or it is nothing. Capitalist society assumes that the individual's pursuit of his own gain is the inescapable condition of public well-being. There can be, as I say, no peace between cooperation and capitalism in the same world, there is no room for the ideologies of both."<sup>16</sup>

Unfortunately, as Professor Laski points out, there are many co-



operators who do not carry their cooperative ideal to its logical conclusion. Some merely desire a somewhat improved capitalist order. Some have an anti-state complex. They are anarchists or syndicalists in their philosophical outlook, and draw the sharpest possible distinction between the social usefulness of activities conducted by voluntary cooperative groups and those conducted by the political state. Since labor politics has to do with the political state, they maintain, the cooperative movement should have no connection with it.

This doctrinaire position, however, is taken by but few realistic cooperators in the world today. Most cooperators realize that the state may be used as either an instrument for the suppression of labor or for labor's emancipation, depending on whether it is controlled by labor's enemies or by the masses of the people. It is thus the duty of all who believe in the good life for the masses to enter the political arena and do their part to put in control of the forces of government the servants of the great majority of our people.

"Historically, every class, as it rises," as Professor Laski pointed out to his fellow cooperators, "seeks to capture the state as the one instrument through which its interest as a class can receive a full expression. Unless you are prepared to aid in the capture of the state you cannot hope, especially as the realm of private profit shrinks, to maintain effectively the principles of your movement. That means, I venture to urge, a full entrance of cooperation into the political field with all the strength and energy at your disposal." "

Professor Laski maintained that, when cooperators enter politics, they must do so in alliance with the party of labor. The integration of consumers' cooperation with the Labor party, he regarded, in fact, as "indispensable." To build up a separate Cooperative party was, to his way of thinking, "a tragic waste of energy." "It is to present the victory in the struggle for power to the forces of capitalism by enabling them to divide and conquer."

The cooperative movement, in these days of declining capitalism, must be prepared to join with other working class groups to prevent the onrush of the forces of fascism and to work aggressively for a cooperative world. At the same time the consumers' cooperative movement should resist all efforts on the part of radical groups to make it a battleground in which these divergent groups fight for power.

## *Cooperation and Education*

THE cooperative movement must likewise engage in a comprehensive educational program. It must present to its members all of the philosophies of fundamental economic change and stimulate its membership to hard and courageous thinking and acting in behalf of the cooperative ideal. If it fails to do this, it may well degenerate into a mere "system of shops which pay a dividend on purchases." If it succeeds in this educational task, it may well give a new strength and purpose to the whole social and economic life of the age.

Unfortunately in America the movement has failed thus far to provide this fundamental education for its membership, either because it has been too preoccupied with the struggle for existence; because of fear that discussion of revolutionary changes might drive members away from the movement or because of fear that its members might, as a result, give too much of their attention to other working class movements of the day.

The result has been that many cooperators have no understanding of the relationship between their movement and allied instruments for social advance. They have little critical knowledge of the real meaning of such schools of social thought as socialism, syndicalism, communism, anarchism or fascism or of the differences between these schools.

They easily accept the point of view that the chief alternatives to capitalism are communism, with its dictatorship, and voluntary cooperation, with its democratic consumer control. They know little of the philosophy of socialism, with its ideals of democracy and civil liberty, and its endeavor to give both to publicly owned industry and to voluntary cooperation, respectively, their rightful places in the future system of socialized industry.

These cooperators, many of them, draw far too sharp and unrealistic a distinction between administration by a state owned industry or service and one by a cooperatively controlled service.

They assume that all state enterprise must of necessity be controlled by "politicians" and be cursed by the disease of "regimentation," and that all voluntary cooperatives must of necessity be free from such evils. The truth is, however, that "politicians" do not confine their efforts to the state. They may be found busily at work in



economic and cultural, as well as political organizations. The truth is that, where any organization develops a vast machinery, bureaucracy and regimentation are likely to creep in, whether that organization is owned by the state, by private stockholders or by working class consumers, and adequate techniques must be devised for eliminating bureaucratic control. And the truth is that, thus far, we have, in general, left the control of the state largely in the hands of the business class in the community, who have sought to regiment workers and others in state industries as they have regimented them in great private industrial corporations. The control of the state by the workers would definitely tend to eliminate this type of bureaucracy.

Even today, in many state services, flexible, efficient and democratic type of management is beginning to emerge. The government corporation is avoiding much of the "red tape" found in the old departmental government enterprises. If the boards of directors of these corporations gave adequate representation to consumer, technician and worker, as socialists urge, the ground would be prepared for a more democratic structure in our public services. Even at present, the personnel policy of the TVA, with its recognition of the rights of organized labor, and with its endeavor to minimize political favoritism, compares favorably with the labor policy of most voluntary cooperative enterprises in the United States and is a far cry from the old type of regimentation alleged to constitute an inseparable part of public enterprise.

Cooperators should increasingly develop the scientific approach both to voluntary and state enterprise and should refuse to accept unthinkingly shibboleths regarding the perfection of consumers' cooperation, on the one hand, and the perfidy of any other form of cooperative effort, on the other.

They should likewise, as Wallace Campbell in the following pages, so well brings out, combine hard-headed common sense with their social idealism. On entering the cooperative field, they should study the movement in all of its many aspects. They should gather around them a genuine group of cooperators. They should begin by handling those vital commodities on which profit margins are largest and then proceed to other commodities where mass sales are needed to ensure success. They should urge the selection of managers on the

basis of their real qualifications for the job, not on the basis of personal friendship or the cooperators' need for work. They should stick close to Rochdale principles and ruthlessly eliminate the racketeering element which crept into the movement in this country in the twenties. They should make of their cooperative effort not a substitute for, but an auxiliary to, other working class movements.

Finally, they should present as the goal to be attained by themselves and their fellow cooperators, not a hard and fast system of voluntary cooperative industry, but a flexible, dynamic and ever changing cooperative order in which those forms of non-profit industry, both public and cooperative, were initiated which were best adapted to the needs of the time. The goal of the cooperator should be, in other words, not a particular form of industry, but that type of a cooperate commonwealth which promised to lead most surely and speedily to a free and abundant life for all.



# THE CONSUMERS' COOPERATIVE MOVEMENT

## A FACTUAL SURVEY

By WALLACE J. CAMPBELL

*In the foregoing article Dr. Laidler has considered the cooperative movement in some of its broader aspects. I shall confine this paper largely to the history and the present development of the consumers' cooperative movement*

### CHAPTER I—THE EARLY BRITISH COOPERATIVES

THE story of cooperatives abroad is a fascinating one. The most significant event in the early history of the movement was the organization of the Rochdale Cooperative in 1844. Prior to this event, Owenites, Chartists, Christian Socialists and trade unionists talked for years about a cooperative commonwealth, while hundreds of cooperatives and industrial co-partnerships were established only to go down in disillusioning failure. Most of these cooperatives were producers' co-ops, formed by intellectuals, who believed that the obvious step to "production for use" was to produce.

In the middle of the forties, conditions among the workers in England were tragic. The Chartist movement had been crushed. Strikes had failed, and wages were at desperately low levels. Wages for weavers in and around Manchester averaged only fifty cents a week.

To try to better their conditions, 27 men and one woman in the village of Rochdale, near Manchester, organized the Rochdale Society of Equitable Pioneers. Modeled on Robert Owen's theories, it planned "to establish a self-supporting home colony of united interests." But after a year of saving, the members had accumulated only a pound a piece. Scaling down their plans, with their \$140, they opened a store in Toad Lane in December, 1844. Tallow, sugar, flour and salt comprised its first inventory. Upon that the Pioneers started building a new system of distribution.

The Toad Lane store was operated on principles diametrically opposed to those of private profit business. The Rochdale Pioneers decided to operate without profit; to keep in their own hands the control of their own property; and to distribute their savings to those

who made those savings possible. These are the now famous Rochdale principles upon which today's successful cooperatives have been built :

1. Voluntary open membership.
2. Democratic control (one member—one vote).
3. Limited interest on capital.
4. Distribution of savings according to purchase.
5. Cash trading at market prices.
6. Religious and political neutrality.
7. Constant education.

By returning savings in proportion to purchases, the Rochdale Cooperative made it possible to determine exactly what saving had been made and to return the saving *after* it had been made. The patronage dividend not only provided a technique for operating the cooperative without profit but it also transformed it into a *consumers'* cooperative.

The success of the Rochdale store aroused quick imitation. As cooperatives grew, their members realized the importance of pooling the purchases of the societies. Pressure from private retailers forced wholesalers to discriminate against the struggling cooperatives. In 1850 the Rochdale Pioneers set up a wholesale department of their own. In 1863, the North of England Wholesale Industrial and Provident Society, Ltd., the forerunner of the great Cooperative Wholesale Society, started its remarkable career. The Scottish Cooperative Wholesale Society followed in 1868.

At first the consumers' cooperatives stayed out of manufacturing, leaving cooperative production to producers' cooperatives. Later, however, when productive societies failed to meet the need, the C.W.S. started manufacturing for itself. The next move was the formation in 1873 of the Cooperative Union to carry on protective and educational work.

Early English cooperatives set aside from 2 per cent to 5 per cent of the net earnings for educational purposes. This practice went a long way to insure their success. The movement early committed itself to religious and political neutrality. This policy of neutrality kept the young movement off the reefs of dissension in the years before it was strong enough to weather the severest storm.

From the Rochdale Pioneers with 28 members and a capital of \$140



has grown the British cooperative movement of today with 7,500,000 members in 1200 retail cooperatives and total assets (exclusive of wholesale and productive societies) of \$930,000,000. Retail sales are over a billion dollars. In 1936, the co-ops returned more than \$120,000,000 to their members in net savings.

The original Rochdale Society increased its membership during 92 years of its existence to 38,000. Its accumulated sales by 1936 amounted to \$150,000,000, while its savings during those years are estimated at about \$20,000,000. The London Cooperative Society, the largest in the world, had 600,000 members in 1936 and conducted an annual business of more than \$50,000,000. In the early part of that year, the London Royal Arsenal Cooperative Society staged a membership drive which enrolled 47,000 new members in a single month. The Banking Department of the C.W.S., organized in 1887, has assets of \$430,000,000.

In 1936, the Cooperative Wholesale Society, which has become Britain's largest distributive system, did a business of \$525,000,000; the Scottish Cooperative Wholesale Society did \$100,000,000. C.W. S. at present writing is operating 150 factories producing boots and shoes, furniture, bicycles, biscuits, linoleum and a host of other products. From its tea plantations in Ceylon it carries in its own ships sufficient tea to rank it far above Lipton's as England's largest tea importer. The co-ops employ about 300,000 workers, an increase of over 50,000 during the depression. While private profit business was adding to the breadlines, the cooperative movement in Great Britain continued to increase both the number of employees and their real wages.

In technique of business organization, C.W.S. illustrates graphically the difference between cooperative and profit business. Every week seven million members of cooperative stores in England purchase food, clothing and furniture through their own cooperatives. In the United States six million customers purchase groceries through local stores owned and operated by the Great Atlantic and Pacific Tea Company. Here the similarity ends. In the cooperative, the customer owns the store at which he trades. In the A. & P., the store belongs to somebody else. In the co-op, the clerk takes orders from his customers, of which he himself is one. In the A. & P., the clerk and manager take their orders from someone up above—someone whose interest is not in the

friendship of the employee or the quality of the goods sold, except insofar as they reflect favorably upon the record of profit and loss. In the co-op, the savings are distributed to the 7,000,000 who make store, own and control the gigantic central organization. In the private chain, a family of thirty owns and two brothers control. In the co-ope, the savings are distributed to the 7,000,000 who make those savings possible. In the private store, the profits (savings) gravitate into the hands of the few. Ownership and control are directly reversed to the practices of profit business.

Several very important economic principles are illustrated in the English C.W.S.:

1. Members of the working class, through the cooperatives, are able to start, here and now, the process of obtaining ownership of the means of distribution and production. To the extent that 13 per cent of British retail trade and 40 to 50 per cent of the food, clothing and furniture of the nation are handled by cooperatives, this process of cooperative control is obviously, if not dramatically under way.

2. Cooperative distribution is a keystone to production for use. Once an assured market for products is created, it is possible to produce without speculation and without profit to meet that need. Already English cooperatives have undertaken successfully the processes of retailing, wholesaling and production. Here has been created a technique for production for use.

3. Here in operation is a technique for making producers' organizations more effective. In private profit business, increased wages, aimed to reduce excessive profits, are passed on in higher prices. In the cooperative, real wages are increased because the producer receives his share of the advantages of technological advance without exploitation of the consumer.

British cooperatives can no longer be regarded as an experiment. They have reached the point where they now affect the national economy. With growing importance, as in the case of any movement directed against private exploitation, they have been subject to increasingly bitter attacks from private merchants. Private profit business, unable to meet the challenge of cooperative efficiency, has resorted to legislative means in an attempt to thwart the development of the cooperatives. Unjust taxation, marketing schemes, restrictions

on imports and exports, even forbidding co-ops to import bacon processed in their own factories in Denmark, have forced the co-ops into politics. After seventy years of political neutrality, the cooperatives were forced to unite on a program of political action. Today nine members of the Cooperative party, which is a constituent member of the federation which comprises the Labor party, sit in the halls of Parliament. A. V. Alexander, leader of the cooperative block, is looked upon in labor circles as an able lieutenant of "His Majesty's Loyal Opposition."

## CHAPTER II—THE CO-OPS SPREAD THROUGH EUROPE

FROM Great Britain, the cooperative movement has spread to many other lands. Today, active cooperative organizations exist in 43 countries and have an estimated individual membership of 139,000,000.

Measured in terms of the social welfare of the people, the most important cooperative movements are those in countries where political democracy still persists—in England, Scotland, Denmark, Finland, Switzerland, Czechoslovakia, Norway, Sweden, France and Belgium. Fascist dictatorships have crushed or perverted the cooperatives in Germany and Italy. Cooperatives in the Soviet Union have been alternately encouraged and discouraged, according to the whims of those in power. The arbitrary dissolution, in November, 1935, of consumers' cooperatives in the cities of Russia cast a great deal of doubt on the status of the cooperatives in that country.

### *Cooperatives Under Political Democracy*

#### *Denmark*

Denmark's cooperative development closely parallels the present growth of cooperatives in America today. Danish farmers first took serious hold of the cooperative ideal, directing it into action by organizing marketing, credit and consumers' cooperatives. From the farming areas, the cooperatives made a belated entry into the towns and cities.

While American farmers face an increasing blight of tenancy, farmers in Denmark have united to throw off the yoke of absentee landlordism by cooperative action.



In 1850, Denmark had 42 per cent farm tenancy. Today less than 3 per cent of the farms are operated by tenants. In contrast, tenancy in the United States has increased constantly since the turn of the century, rising from 25 per cent in 1880 to 35 per cent in 1900 and 42 per cent in 1930.

The Danish movement started in the sixties. Today, 1,824 consumers' cooperative societies in Denmark handle 10 per cent of the entire retail trade of the country. Cooperative marketing has had an even greater development. In 1934, the cooperatives handled 25 per cent of the egg export, 39 per cent of the meat and cattle export, 46 per cent of the butter export, and 90 per cent of the milk handled by dairies.

Consumers' cooperative societies in Copenhagen operate 94 shops with a membership of 28,000. Nine model cooperative apartment houses were recently erected in urban sections of Denmark and more than 20,000 cooperative houses have been built. Membership in consumers' cooperatives includes 42 per cent of Denmark's households. Cooperative retail business for 1935 totalled \$63,200,000.

When the Cooperative Wholesale Society was set up in 1896, private interests, through their boycotting and discrimination, drove it to foreign markets to secure raw materials and to manufacture its own commodities. It now manufactures in its own factories for cooperative trade, a variety of products ranging from soap, chocolate and margarine, to shoes, bicycles and ready made clothes. The sales volume of the Wholesale rose in 1935 to \$40,366,000 and its manufactured products, to \$11,200,000.

In the struggle to make the Danish farmer economically independent, cooperative marketing has increased his income, cooperative purchasing has increased the buying power of that income, and cooperative finance has, to a great extent, freed him from exploitation by outside capital.

As in Great Britain, the cooperatives have entered the field of banking. More than 500 cooperative savings associations are in operation and 159 cooperative rural banks have been organized since 1915. The Danish Cooperative Bank, one of the youngest cooperative enterprises, recorded in 1934 deposits of \$6,600,000 and a turnover for the year of \$1,325,000,000. In any history of cooperation in Den-

mark, the part played by the folk schools must not be ignored. More than 80 per cent of the cooperative leaders have, at one time or another attended these schools, and in them have received a training which has contributed greatly to their efficiency.

In the battle against absentee landlordism, the Danes have built the beginning of a system of production and distribution for use and not for profit.

### *Sweden*

In recent years Sweden, rather than Denmark, among the Scandinavian countries, has drawn the spotlight as Europe's most widely discussed co-operative nation.

Enthusiasts of the movement have called attention to the fact that Sweden, in the words of the Economic Section of the League of Nations, is leading the world out of the depression. They point out that the industrial level in Sweden is the highest since 1930, and that the number of unemployed has fallen to 1 per cent of the working population. The budget, they declare, has been balanced, and the national debt has been reduced to \$10,000,000.

Of course, this situation cannot be attributed to the cooperative movement alone. It is due partly to the increased demand for Swedish goods from abroad. It is due to a considerable extent to the fact that the Swedish workers are organized as producers and as citizens as well as consumers.

Swedish labor unions have long been noted for their strength and for their realization of the necessity for education in the basic problems facing the working class. Sweden's Social Democratic party has three times named the Prime Minister in coalition governments. Forced out of power temporarily in the Spring of 1936 on the armament issue, the party swept back into office in September on a program of peace and gradual socialization of basic industries.

Even now, a good deal of public ownership prevails. In fact, while we in the United States have striven to protect ourselves against the trusts through anti-trust legislation, the Swedes have controlled and broken the trusts by threat of public ownership or by substitution of consumers' cooperatives.

Public ownership has succeeded in supplanting private ownership in power production, in railroad transportation and communication

—both telephone and telegraph—and in much of the country's natural resources; while consumers' cooperatives have broken the margarine, flour milling, rubber and electric lamp trusts and have prevented consumer exploitation by threat of extension into other fields.

The central organization of the cooperative movement in Sweden is the Kooperativ Forbundet, the Cooperative Union. Since its inception in 1899, it has grown to include nearly six hundred thousand families, representing more than one-third of the country's population. During the depression 100,000 families joined cooperatives. Sales volume jumped from \$7,000,000 in 1912 to \$38,000,000 in 1918 and to \$111,400,000 in 1936. Today more than 10 per cent of the wholesale and 30 to 40 per cent of some branches of the retail trade of the country is carried on by cooperatives.

Five years after the formation of the Cooperative Union a cooperative wholesale society was formed to supply member cooperatives. In 1909, the cooperatives stepped into the field of "production for use" by breaking the European margarine monopoly. In answer to the milling trusts' exploitation of both farmers and consumers, the cooperatives in 1922 started a second factory and began to grind grain. Today the cooperatives are one of Sweden's largest millers. Bakeries followed. In 1924 K. F. bought a shoe factory. Three years later it challenged and broke the rubber monopoly by manufacturing general rubber products, galoshes and auto tires. Galosh prices were cut 65 per cent with no reduction in the wages of those who produced them. By 1935, cooperatives were producing for their own use \$26,000,000 worth of manufactured articles annually.

The most dramatic battle in the field of cooperative effort has been that waged with the electric light bulb monopoly, an affiliate of the American General Electric. This corporation, prior to the Cooperative's entrance into the field, charged the consumer 37 cents each for 60 watt lamps. The cooperatives pooled their surpluses, built a bulb factory, forced private profit-prices down to 22 cents and sold "Luma" cooperative bulbs for 20 cents, guaranteeing them for 500 hours more than the privately produced bulbs. Cooperative wholesale associations in Finland, Norway, and Denmark have purchased interests in the project, and "Luma" is now the first international cooperative factory.



In the nature of the case, the largest retail cooperative movement is found in the capital city, Stockholm. The Stockholm Cooperative Society maintains 340 retail shops for the sale of clothing, provisions and household supplies. The cooperatives have been able to peg prices 5 per cent below competitive shops and return a patronage dividend of 3 per cent, making a total saving to consumers of 8 per cent on staple commodities. The Cooperative Union maintains its own architectural bureau with 80 full-time employees. By eliminating the profit motive, cooperatives have been able to free themselves, in all their building enterprises, from the ugliness inherent in competitive civilization. In fact, beauty and cleanliness are the characteristic features of most Swedish cooperative ventures.

At least 15 per cent of the population of Stockholm lives in cooperative houses. Electricity, produced by government-owned plants, is distributed through local consumers' cooperative associations. As a result three out of every four farm homes are electrified. In this and other ways, the cooperative movement is adding comfort and flavor to the life of the masses.

### *Finland*

In Sweden the co-ops developed as an industrial movement; in Denmark, they were largely a rural development. Finland, unique in cooperatives as in war debt payments, has developed powerful cooperatives in both fields. When Finnish university Professor Hannes Gebhart started a five-year program of cooperative education in 1899, Finland was a cooperative desert. Today, more than 40 per cent of her people are members of cooperatives which handle well over 40 per cent of the wholesale trade and dominate the distribution of food and clothing.

Risto Ryti, President of the Bank of Finland, when questioned by American reporters, paid the following tribute to the Finnish cooperatives:

"In Finland, the cooperatives determine the general price level. One factor in our recovery is the small cost of distribution, and one reason for that is our cooperative movement. Because of this movement, middlemen here probably take less from the economic substance of the country than almost anywhere else in the world. . . . And this is true . . . of all articles, chiefly food, handled by the cooperatives. It is obvious that this must be an effective factor in keeping down our cost of living, especially as you must remember that the cooperatives, selling in

free competition with private enterprises, determine the general price level for the private enterprises as well, and that roughly one-third of all retail trade in Finland is cooperative."

The Finnish co-ops have had almost uninterrupted growth since the first of the century. The Cooperative Wholesale Society of Finland (SOK) established in 1904 engages in distribution and production, and runs savings banks, fire and life insurance companies and a pension institute. A second Finnish wholesale—the Cooperative Wholesale Association (K.K.)—was formed in 1917 by the workers' consumers' cooperative societies.

The largest and most modern stores are owned and operated by cooperatives. Through them the 495,000 members purchase \$73,000,000 worth of goods a year. The volume of S.O.K. is by far the largest of any wholesale in Finland, amounting to about \$25,000,000 as compared with \$10,000,000 for the largest voluntary private chain and less than \$5,000,000 for the largest private wholesale.

At the time that Kreuger and Toll threatened to gain a complete monopoly of the match market of Northern Europe, the Finnish cooperatives obtained large tracts of timber lands, erected their own factories and, as consumers, prevented a complete monopoly. Few, if any, cooperatives were included in the 2,482 bankruptcies during the three severest depression years of 1930-1932.

A significant venture in international cooperation was the formation, in 1916, of the Scandinavian Cooperative Wholesale Society, with headquarters in Copenhagen, for the joint purchase of coffee, tea, fruit, spices and other foreign raw materials. The two Finnish wholesales became members in 1928. This first international cooperative wholesale had a gross volume in 1935 of \$10,000,000. One of the most important functions of the wholesale is its joint ownership and operation of the great "Luma" Cooperative Lamp factory in Stockholm.

Some years ago plans were made for the enlargement of the Luma factory to serve cooperatives in England and Scotland. It was found, however, that political restrictions and the difficulty of transportation made it uneconomical to distribute directly from the Luma plant. Without hesitation the Scottish Cooperative Wholesale appropriated funds for the construction of its own plant and the Scandinavian co-ops loaned the Scottish cooperatives their best electric lamp experts to assist in the construction and operation of the plant.

## *Belgium*

Differing considerably from the cooperatives in Great Britain and the Scandinavian countries are those in little Belgium. Belgium has always held a unique place in the world-wide cooperative movement. Its cooperative societies, which include as members one-third of the urban consumers and practically all of the farmers, have been marked by two outstanding features: (1) their close association with political and religious organizations, and (2) their strong emphasis upon social functions.

Cooperatives tied closely to the Labor party for political action and to the labor movement, are today the largest group in Belgium. Through their 1200 stores, 300,000 members of these cooperatives in 1934 did a business totaling \$30,000,000. The fifty local and regional socialist cooperative societies are federated in the Belgian Cooperative Union and the Belgian Cooperative Wholesale Society, which were combined in 1935 to conform to the Swedish system and are members of the International Cooperative Alliance. These cooperatives, dealing primarily in food, have branched out to sell clothing, furniture, coal and other commodities. Their membership consists almost entirely of French speaking industrial workers in the south of Belgium. These cooperatives work hand in hand with the socialist trade unions and the Labor party. Cooperative funds are contributed toward every election, to strikes and to the labor press.

The socialist cooperatives provide for their members, through a semi-independent nation-wide association, sickness, old age, accident, maternity and burial insurance, and assistance to widows and orphans. Four hundred "Peoples Houses" serve as community halls, gymnasiums, libraries, class rooms, labor union and party headquarters.

Belgian politics has been dominated for more than fifty years by two opposing camps, the Catholic and the socialist. As a result, Catholic cooperatives were organized many years ago under the sponsorship of the Church to match the socialist cooperatives. In 1934, about 130,000 members, chiefly farmers, did \$2,500,000 worth of business through 500 Catholic cooperative stores. The League of Peasants, one of the largest factors in the Catholic cooperatives, does a large business with consumers' cooperatives, and, at the same time, sponsors



marketing and credit cooperatives and other agricultural activities as well.

An independent cooperative organization, the Federated Cooperative Society, has recently developed between the Catholic and socialist cooperatives. It assumes neither the responsibilities for social insurance nor the strain of religious or political contributions. In recent years the Federated Cooperative Society has drawn its members from all strata of society. The chief strength of this organization is found among government employees who do not wish to identify themselves with either the socialist or Catholic organizations. With the fastest growing membership in Belgium, Federated Cooperatives did a business in 1934 of \$15,000,000 for its 160,000 members. The cooperatives returned large dividends to members, instead of following the example of the socialist co-ops of placing much of their savings in recreation halls, insurance and other ventures.

#### *Other Non-Fascist Countries*

Significant cooperative movements exist in a number of other non-fascist countries in Europe, notably Czechoslovakia, Switzerland, Holland, Norway and France. But space does not permit a description of these large and important enterprises.

### CHAPTER III—CONSUMERS' COOPERATIVES UNDER FASCISM AND COMMUNISM

#### *What About Cooperation in Fascist Countries?*

THE onswEEP of European fascism has not only destroyed political democracy. It has wrought havoc with such forms of economic democracy as were in existence at the time of its conquest of political power. The co-operatives in Italy and Germany, along with labor and political organizations, were destroyed or perverted when fascism became a dominating force in the state.

Before Mussolini's march on Rome, the Cooperative League of Italy numbered in its membership 4,000 consumers' societies with individual membership of over 500,000. Reporting the brutality of the fascist march to power, James P. Warbasse declares in *Cooperative Democracy*, "The fascists burned, plundered, and wrecked the property of

the cooperative societies connected with the League. Those that were under socialist influence were destroyed and their leaders killed or imprisoned. Many cooperators were killed and hundreds assaulted. Appeals to the government for protection and redress were unavailing. . . . After the first wave of ruthlessness, the value of the cooperatives was realized and the membership insisted upon the continuation of their business. Fascist leadership was then demanded by the government, which proceeded to appoint a majority of fascists to each board of directors. Under the fascist control the societies then proceeded to function. The membership and the business expanded. At present there are fully as many societies as before 1919. The membership of the consumers' societies has increased to 750,000 and is steadily growing. . . . The Cooperative League has been succeeded by the Fascist Union of Cooperative Federations."

The perversion of the Italian cooperatives stands as Exhibit A in our Chamber of Horrors. The International Cooperative Alliance, aware that there can be no economic democracy in a political dictatorship, has consistently refused to admit the Italian cooperative movement to membership in the Alliance.

The German cooperatives have met with an even more sorry fate at the hands of economic autocracy. Before the Hitler regime, Germany seemed headed toward a cooperative democracy. Today Germany is headed toward chaos. General economic conditions have led to embarrassing food shortages which promise to grow in intensity with its increasing militarization. During the Nazi dictatorship, the cooperative movement, operating on principles directly in opposition to Nazi policy, has suffered heavily, while cooperative business in democratic countries in Europe, Asia and America has grown tremendously.

Pre-Nazi German cooperative societies were the pride of the cooperative world. In 1930 more than 3,700,000 families representing approximately 15,000,000 people (one-fourth of the population) were members. Tremendous city cooperatives in Hamburg and Berlin created new standards in general retail distribution. Two cooperative wholesales supplied local societies throughout the nation with merchandise valued at nearly \$200,000,000. Retail volume in cooperatives passed \$300,000,000.

Wholesale cooperatives, owned and controlled by local retail co-operatives, were already operating 46 factories to provide members with food, clothing, furniture, building materials, chemical sundries, cigars, bicycles, boxes and other necessities and comforts of life. Until 1933 the German cooperative movement was a stronghold of world cooperation not only because of its size but because of its unshakeable loyalty to Rochdale principles.

When Hitler came into power, those cooperative leaders who had shown active opposition to the Nazis were deposed and many of them thrown in concentration camps. Loyal Nazis were put in charge of the cooperatives. Democratic procedure in the movement was eliminated and in many instances the savings of the cooperatives were drained off into the Nazi war chest, either directly or through "subscription" to armament bonds.

The morale of the cooperatives was destroyed. Membership fell 600,000. More would have withdrawn, but to withdraw meant to show open disapproval of the Nazi in charge. As a result, many of those remaining are merely "paper-soldiers," non-buying members.

Although this membership still represents some 15 to 20 per cent of the population, the co-ops share of the nation's trade has dropped to about 2 or 3 per cent, and when the liquidation of consumers' societies, now in progress, is completed, its share will be only about 1 per cent. The turnover of the German consumers' cooperative societies has dropped to 40 per cent of its 1929 level, falling two-thirds since Hitler's coming to power.

A law passed on May 21, 1935, though camouflaged in purpose, was aimed at the ultimate dissolution of the movement. It was designed, according to Henry J. May, secretary of the International Cooperative Alliance, to restrict the development of the consumers' cooperative movement through licensing provisions; to decimate the funds of the movement; and to create the legal conditions for a complete transformation of the business method of the consumers' societies by depriving them of their cooperative character.

Nazi leaders asserted that the law would protect the societies' investments. But the money appropriated for this purpose is being used to break cooperates, rather than strengthen them. The Berlin Cooperative Society, with more than 170,000 members, was one of the



first to be dissolved. Similar action followed shortly against the Hamburg, Munich, Dresden and Essen cooperatives. More than 1,500,000 members are to be effected by this dissolution campaign—much to the satisfaction of private traders.

Physical structures of the cooperatives still stand. Their social purpose has been destroyed by fascist dictatorship. Cooperatives in other European countries stand by to assist in rebuilding the German cooperative movement if and when Hitler is swept out of power. But the fate of the German cooperatives is a challenge to eternal vigilance of cooperative and labor organizations to create and defend economic and political liberty. The temporary demise of the movement here shows that neither the cooperative movement alone or the trade union or the political movement of workers alone can prevent fascism. The strongest possible combination of these movements is necessary.

### *Consumers' Cooperation Under Communism*

What of cooperation in Russia? The relation of the cooperative movement to Russian communism is a subject of perpetual controversy and can be treated objectively only in terms of what has happened in Russia under the old regime, in the period of transition and in recent years.

"The cooperative movement in Russia began almost at the same time as the abolition of serfdom in the sixties of the last century. Its leaders were intellectuals and noblemen who, moved by the democratic and socialist ideals of Western Europe, struggled to remedy the condition of the peasant masses of their own country."<sup>1</sup> The growth of the movement was extremely slow because of the inertia of the Church and the reactionary activity of the state. Because of the intensity of the repression, energies were diverted into the more obvious channels of political action. After the failure of the revolution of 1905, an increasing number of people turned to cooperation as a program of immediate action. From 1898 to 1914, the membership of cooperatives jumped from 250,000 to 1,400,000.

"During the World War the cooperatives were the only structure that maintained any integrity and sustained in an orderly way the economy of a people betrayed by its government whose commanders were selling their armies into the hands of the enemy.' During the war

the movement more than trebled in size. Food shortages, the breakdown of private marketing and the collapse of the general economy made the cooperatives the only permanent alternative. In 1918, the Provisional Government delegated to the Cooperative Congress the task of maintaining the national economy. The movement, with the assumption of this responsibility, launched a huge educational program, the key of which was a Cooperative University in Moscow. Over a million and a half rubles was contributed by cooperative societies to train cooperative workers in this unique educational institution.\* These trained workers rapidly assumed responsible positions in the expanding economic organization. Since that year, the place of the cooperatives has altered with the alteration of "the party line."

When the dictatorship of the proletariat replaced the Provisional Government, Centrosoyus, the central organization of the consumers' societies, became a mere agent of the state as a factor in the Commissariat of Supply. Under the decree of March 1, 1920, membership in the cooperatives was made compulsory in contrast to the Rochdale provision for voluntary membership, and the movement was nationalized. Democratic control, essential to the success of a cooperative, disappeared. Managers were selected for political reasons. The result was red tape and inefficiency.

By 1921 the Communist party had discovered its mistake, and, with the inauguration of the New Economic Policy, several of the essential features of the cooperatives were restored. Later, when the first Five Year Plan was put into effect, attention and leadership was diverted from the cooperatives to the productive processes in heavy industry. During the second Five Year Plan, when emphasis was laid again on consumer goods, the co-ops took another lease on life. Cooperatives were again permitted to hold property. Greater autonomy was granted. The process of distribution was left almost entirely to the co-ops. From a tool, the co-ops had arisen almost to the status of a partner of the government. The membership in cooperative societies rose to seventy-three million.

At no time, however, were the cooperatives granted complete autonomy. Henry May, General Secretary of the International Cooperative Alliance, declared, in describing the events leading up to the

present situation, "Since 1918 the Russian cooperative movement could not be regarded as absolutely independent of the Communist party. Throughout the whole period, the Communist party has maintained a firm grip on the central executive organization of all forms of cooperation, not only in Moscow but in all republican, provincial, regional and district centres. Even the election of a president of a closed factory cooperative society, or a village consumers' society, was often influenced in one way or another, and if a communist could not be found to occupy the post of president, then the election was secured of such a non-party man as might be expected to carry out the directions given by the local or central authorities of the Communist party."

By 1926, state stores and wholesale establishments, founded as early as 1921, had become an important factor in distribution. Their growth during the period of industrialization (1926-1929) was not at the expense of the cooperatives, but mainly, if not entirely, at the expense of private distribution. Since that period there has been growing rivalry between state and cooperative stores, in spite of the fact that a great proportion of the managers of the state stores were trained by the cooperatives. From 1930 to 1935, consumers' societies distributed the bulk of the rationed supplies, the state stores handling non-rationed goods. The abolition of rationed supplies in 1935 called for a complete revision of the relationship of the cooperatives and the state trusts.

In November, 1935, the Communist party decided to dispense with consumers' cooperative societies in the cities. The Soviet decree declared:

"The Council of the Peoples' Commissars of the USSR and the Central Committee of the All-Union Communist party have decided that: 'The organization of consumers' cooperation in towns shall be liquidated and all their property, including all liabilities and assets, shall be transferred to the Peoples' Commissariat of Internal Trade of the USSR.'"

Centrosoyus was instructed to revise, *within one month*, the whole structure and functions of the regional unions and simultaneously to arrange for the reconstruction of its own economic functions.

Without the consideration, advice or consent of the membership,



city cooperative stores were abolished, their assets confiscated and the property of the 9,881,000 members transferred to state trusts. The rural societies, with 41,000,000 members, still survive. It remains to be seen whether the government will try to destroy these."

Reviewing the situation, Horace Kallen declared, "The destruction of the urban cooperatives appears to be coincident with an increase of consumer goods. So long as there was a significant shortage of essentials, the cooperatives were allowed to live and work. As the shortage lessens, the consumers' societies are dissolved. This policy extends to the countryside also. But the shortage is conspicuous there, and accordingly consumer cooperatives continue in the peasant villages. Centrosoyus is now concentrated upon serving these peasant societies. But they too will go with the shortage."

In a statement justifying the destruction of the city co-ops, Centrosoyus stated in the January, 1936, *Review of International Cooperation*, "The Cooperative movement in the USSR was unable, beginning from 1930, to keep pace with the rapid growth in the demands of the population. The cooperative movement acted as a brake on the development of the retail trade turnover."

#### CHAPTER IV—EARLY AMERICAN COOPERATIVES

IN THE United States, the consumers' cooperative movement has had a career of unusual and fascinating complexity. In spite of economic circumstances which, with almost fatalistic certainty, predestined early cooperative projects to failure, hardy souls persisted in their attempts to organize cooperatives and to make them work.

The surprising feature of the American movement is not that there were so many failures but that any of the early cooperatives persisted. The sixty-five year old Workmens' Mutual Fire Insurance Cooperative, organized by forty German carpenters in New York City in 1872 and operated without a break ever since, is a monument to cooperative loyalty. Its 68,000 members with more than \$85,000,000 insurance in force today are reaping the rewards of many a strenuous early day.

But the hard-headed business sense of its founders and their com-

parative stability in a rapidly shifting, fortune-seeking population was the exception, not the rule. For the most part, America's expanding economy and its resultant promise of individual riches created an elusive will o'the wisp which, to say the least, was not encouraging to cooperative growth. As a counterpart, new frontiers offered an escape mechanism. Those who learned that they could not make a success of "going it alone" could dodge the responsibility for failure by starting afresh somewhere in the West.

The consumers' cooperative movement in the United States dates back to the Workingmen's Protective Union organized in Boston in 1845, one year after the Rochdale store. The Union grew rapidly. By 1849 it reported 83 local societies with more than 5,000 members. In 1857 as many as 700 stores were established in ten states, with the heaviest concentration in Massachusetts. Shortly before the Civil War decline set in and, with the onset of the war, the movement broke up completely.

During the early seventies, the Patrons of Husbandry, more widely known as the Grangers, established cooperative stores in connection with and limited to membership in local granges. These cooperatives at first prospered. But, as increasing emphasis was placed upon legislative activity and as booms and depressions took their toll, the strength of the cooperatives decreased. By the end of the century most of these cooperatives had disappeared.

In 1874 the Sovereigns of Industry acted on the inspiration of the early success of local grange cooperatives. Unlike the Grange, however, the Sovereigns of Industry opened membership in its cooperatives to all persons, regardless of affiliation or occupation. Accepting directly the challenge of the economic system, the organization declared as its purpose "to check, by peaceful means, the advance of predatory capitalism and to establish an industrial system based on equity."

The Sovereigns spread over the states of the Atlantic seaboard from Maine to Maryland. Within two years, its membership totaled 30,000. Stores flourished, but bad management and the effect of the tradition of individualism reaped their harvest. By the end of the seventies, these co-ops had practically disappeared.

Meanwhile the Knights of Labor sprang into existence and tied to

its militant labor policy a firm belief in consumer organization. Co-ops were organized in almost every section in which the labor organization operated. But the cooperatives were tied organically to the organization. Savings were poured into the Knights of Labor treasury as a war chest against the coming industrial strife. When the industrial warfare broke out the Knights of Labor was defeated, the cooperatives died.

During the nineties and the early years of the twentieth century scattered local societies, chiefly organized and operated by groups of Germans, Italians and Finns were the only evidences of a once flourishing movement. The success of these isolated cooperatives was due partially to the racial nature of their membership but more fundamentally to a thorough understanding of cooperation by both the leaders and the members, coupled with strict adherence to Rochdale principles.

A few years after the turn of the century, the cooperative fever struck California. Dozens of retail cooperatives were started. A central purchasing agency was organized in San Francisco. Eventually nearly a hundred stores were affiliated with this central organization. But with the usual California flair for the unique, the co-ops disregarded the principles which had assured the success of European consumers' cooperatives. Some of the California co-ops tried Rochdale principles and, with a thorough educational program, might have averted failure. If to this had been added efficient auditing, systematic bookkeeping and experienced business management, a few of the cooperatives would undoubtedly have lived.

During the years before the World War the Right Relationship League, operating out of Minneapolis, organized several hundred local cooperative stores in Minnesota, Wisconsin and the Dakotas. Many of these co-ops are still prospering, but the Right Relationship League went into liquidation in 1915 because of its disappointment over the social results of its efforts.

In New York, New Jersey and other parts of the country, cooperative endeavors got under way in the first decades of the present century. Several other cooperative projects bore abundant fruit. But, on the whole, the economic soil was not right. The hardy American cooperatives that did succeed carried on in spite of economic conditions that made cooperation extremely difficult at best.



The Cooperative League of the U. S. A. was organized in 1916 and immediately began building an educational foundation for the present day cooperatives. Added to this centralized program of education, was the staunch support of the organize labor movement. As early as 1917, the American Federation of Labor passed the following resolution:

"We believe that the American Federation of Labor should assist in establishing, building up and strengthening in every way possible a legitimate organization of bona fide workers in our country and Canada as part of a great world's co-operative movement; so that after the trade union movement has secured for the workers the wages that they are entitled to for the labor they perform, they may be assured, in spending those wages, that they will get for them their full value.

"We hold that it is just as essential that a workingman should get ten dollars' worth of actual value for his wages when he spends them as it is that he should get the ten dollars that he is entitled to for the labor that he performs.

"The cooperative movement is the organization that is designed to protect the workers in their relations with the merchants and the business men in the same sense that the trade union movement protects them from their employers. The two movements are twin remedies."

With the formal endorsement of the American Federation of Labor and the leadership of such men as John Walker, the Illinois mine leader, labor unions undertook the organization of their own co-operatives. The most active and most successful co-ops were those organized by locals affiliated with the United Mine Workers, especially in the states of Illinois, Ohio and Pennsylvania. The rapidly rising price levels during the war stimulated cooperative activity, for only in the co-ops were prices held at their pre-war level for a considerable length of time.

Post war deflation and post war hysteria wrought havoc with the cooperatives. Long before the "golden era" set in, the majority of the war time co-ops had disappeared. Those of the labor cooperatives that did not succumb to the economic conditions of the period died from another cause. The labor unions mistook identity of purpose for identity of structure. Because both organizations had been set up by the same people and were dedicated to raising the living standards of the workers, it was assumed that the organizations should be identical. When the union coffers were empty, the cooperative was called on to replenish them. When the co-op was in difficulty, instead of enforcing efficient business management and making the cooperative stand on its own feet, the union subsidized it. In the cooperative move-

ment, to subsidize is to destroy. The union co-ops went the way of all pampered business. Only a few of them remain. Dillonvale, Ohio's half million a year co-op, stands as a brilliant example of the fact that labor-organized cooperatives can succeed.

Racketeering played its part, as well as inefficiency, in cutting short the immediate post-war cooperative movement. In 1920 Harrison Parker, a Chicago promoter, organized a trust company with five trustees, called it the Cooperative Society of America and persuaded 81,000 "members" to invest \$15,000,000 in the "cooperatives." The Cooperative Society of America was cooperative in name only. It provided for no democratic control. It was not a non-profit concern. And before Mr. Parker fled to Canada in August, 1921, he is reported to have taken as his "cut" \$1,500,000 in profits.

The vast majority of the cooperatives started in these post war days were not frauds. The leadership and membership were utterly sincere. But in some, the American tradition of bigness took hold of the cooperative leaders. Nothing was worth trying, many of these leaders declared, that did not involve thousands of members and hundreds of thousands of dollars. Rochdale was wrong. The weavers were all right in their day but modern America needed a different formula. . . . But the grandiose co-ops of that period failed as a result of their economically and socially unsound departures from Rochdale principles. Others failed during the 1921 depression, victims of large inventories bought at peak prices. Some survived this early post war depression and the succeeding era of our New Capitalism and have become the foundation stones of the American cooperative movement as we know it today.

## CHAPTER V—AMERICAN CONSUMER CO-OPS TODAY

THE greatest development of consumers' cooperation in the United States during the last decade has taken place in agricultural districts. In the twenties, while a number of city industries were prosperous, agriculture was in the doldrums. The tragic conditions on the farm presented to many a farmer the alternative of cooperating or perishing. He decided to cooperate. When he entered the cooperative field, he turned to those commodities in which the

margins of profit were high. He found in gasoline profit margins of from 14 to 30 per cent. Oil margins were still higher.

He opened one cooperative oil station after another. The first such station was established in Cottonwood, Minnesota, in July, 1921. To-day two thousand farmer-owned cooperative bulk plants and filling stations freckle the western plains, the Texas Panhandle and the Pacific slope. Four co-op oil compounding plants are in operation in Indianapolis, North Kansas City, St. Paul and Minneapolis.

National Cooperatives, Inc., formed in 1933 as a federation of ten of the major oil cooperatives, was responsible for the distribution of \$25,000,000 of the \$48,000,000 worth of petroleum products handled by cooperatives in 1935. Outstanding wholesales are the Midland Cooperative Wholesale of Minneapolis, first of the regional gas and oil co-ops, with its over \$3,000,000 sales in 1936 to 60,000 members in 142 retail cooperatives; the Consumers' Cooperative Association in North Kansas City, which, in 1936, served over 300 local associations and the Farmers' Union Central Exchange of St. Paul with its 240 local affiliates extending from the Minnesota line through Western Montana. The C.C.A. of North Kansas City shipped each day in 1936 from its \$250,000 plant, a train load of petroleum products. In March, 1935, it began shipping oil to cooperative societies in Scotland, Belgium, France and Estonia. The Grange Cooperative Wholesale of Seattle and the Pacific Supply Cooperative of Walla Walla, two other large wholesales, furnish 20,000,000 gallons of gasoline a year to local cooperatives in the Pacific Northwest. To this list must be added the Farm Bureau Cooperatives which are particularly strong in Ohio, Indiana and Michigan with rapidly growing co-ops in Pennsylvania.

One of the most noteworthy of local oil cooperatives is that organized by the farmers in Albert Lea, Minnesota, in 1925. This cooperative began with a capital of \$500. Ten years later it had assets of \$125,000 and had paid back to its consumer members \$250,000 in patronage dividends, an average of \$2000 a month!

This growth of cooperatives has not taken place without opposition from private business. This opposition has often taken the form of selling gasoline below cost in communities where cooperatives have been formed. These price wars, however, have generally failed. For,



when prices went too low, the members of the co-op frequently decided temporarily to close the station and to go across the street and buy. The co-op had been organized to bring down costs to the consumer. It could well afford to close shop for a time because savings to individual members more than offset the cost of carrying the overhead of an idle station. Even large companies find it impossible to sell at a loss indefinitely. When prices were boosted back up to profit level, the cooperatives opened for business again with a membership generously subsidized by a season of purchasing at a cost below that at which they could supply themselves.

Inspired by the success of rural oil co-ops, city consumers in 1932 and 1933 began to follow their example. College professors in Madison and Columbus, a group of Negroes in Kansas City, labor union members in Racine and St. Paul and white collar and professional workers in Minneapolis have organized successful gas and oil co-ops. The cooperative in Minneapolis was formed in 1934 with a capital of \$75. In 1936 it distributed a million and a quarter gallons of fuel oil to its customer-owners in the Twin Cities and gas and oil sales were over \$100,000.

The savings to cooperative members who purchase gasoline has averaged about 10 per cent. In 1936, this meant an increase in purchasing power to cooperative members of more than four million dollars.

### *Cooperative Purchase of Farm Supplies*

Besides oil and gasoline, farmers have been purchasing large quantities of farm supplies such as seed, feed, fertilizer, fencing, paint and farm machinery from their own co-ops.

The amount of goods thus purchased increased from \$57,000,000 in 1921 to \$125,000,000 in 1929. Through the depression it grew rapidly to over \$300,000,000 in 1936. More than a hundred new associations were reported organized during the last named year.

One of the most important examples of a cooperative dealing with farm supplies is the Eastern States Farmers Exchange. Organized in 1918, this co-op now has more than 73,000 members in New England, Pennsylvania and several Mid-Atlantic states. Beginning as a purely distributive agency, it has been forced into the field of production and

today owns its own fertilizer plants in Boston and Wilmington and a feed mill in Buffalo, to which it built a \$300,000 addition in 1935 and other equipment for producing commodities, valued in toto at \$1,500,000.

### *Cooperative Stores*

In Europe, the city cooperative store for the sale of groceries, clothing and other necessities for the masses has constituted the very heart of the consumers' cooperative movement. This has not been the case in America. Cooperative stores, however, as Bertram B. Fowler points out in his *Consumer Cooperation in America*, have met with considerable success in Minnesota, Wisconsin and Northern Michigan, especially among the Finnish, German, Swedish, Norwegian and Danish immigrants.

Some of the stores now flourishing in these states were established as early as 1900. In July, 1917, nineteen retail cooperatives in these states sent delegates to a meeting to discuss the possibility of forming a cooperative wholesale. The first capital raised for the common venture was a collection of \$15.50. A friendly newspaper man gave free desk space in the corner of his office. One of the co-op men acted as purchasing agent and received the pooled orders of the retail stores. With that slender beginning the Central Cooperative Wholesale has built a capital fund of \$150,000, five-sixths of which came directly out of savings. In addition, the co-op Wholesale has returned to the retails more than a quarter of a million dollars in patronage dividends, plus large savings in the original price of supplies.

Central Co-op Wholesale celebrated its 18th anniversary by moving into the \$100,000 warehouse and headquarters formerly owned by a bankrupt private profit company which two years earlier had denied the co-op credit. By the summer of 1937, the nineteen original organizations had increased to 145 stores and branches. Of these local co-ops, Cloquet's Cooperative Society built four stores, an oil station, a credit union and a burial cooperative—all in a community of 7,000. The business of the wholesale itself rose to \$2,845,000 in 1936 with retail sales conservatively estimated as well over \$7,000,000.

Cooperative stores have been successfully operated in other parts of the country—in Maynard and Fitchburg, Mass.; among the Finns,

in Dillonvale, Ohio; Waukegan, Illinois; in Sault St. Marie, Michigan and Cloquet, Minnesota. The business of each of these co-ops has passed the half million mark. The grocery business has been a success likewise among the Grange cooperatives in the Pacific Northwest, the Farmers' Union of Nebraska and among other units. In 1933 the U. S. Bureau of Labor Statistics accounted for 878 cooperative stores. Two hundred and thirteen reported a combined business of over \$14,000,000. The turnover of cooperative grocery stores is, however, small in comparison with other types of cooperative ventures.

While these and other examples of successful cooperative stores devoted to the sale of groceries, clothing and furniture may be cited, cooperators in this country have found it more difficult than did the pioneer cooperators abroad to compete successfully against private enterprise. One of the reasons for this is that while, in Great Britain, the cooperative movement gained headway before the emergence of the chain store, in the United States, pioneer cooperators find the chain stores, with their large volume of sales, well entrenched. Many cooperators are therefore adopting a different technique than that which has prevailed in Great Britain. They are increasingly adopting the strategy, as has been before indicated, of beginning with the sale of gas and oil, where profit margins are considerable, and then branching out into groceries and other commodities where profit margins are comparatively small.

A typical example of this strategy is that of the Union Oil Company (cooperative) organized in North Kansas City in 1928 with six affiliated retail cooperatives. By 1933 it had affiliated with it 207 co-ops which were conducting a business of nearly \$2,000,000 a year. Early in 1935 it became apparent that the facilities of the wholesale, re-christened Consumers Cooperative Association, could easily handle groceries. Seventy co-ops had both the demand and the equipment, so C.C.A. went into the supplying of "elemental needs" with a chain store volume.

### *Cooperative Insurance*

Another field invaded by the cooperative movement is that of insurance. The old mutual life insurance companies and a number of contemporary auto and fire insurance mutuals were set up on partial-



ly cooperative principles. By providing the right to vote by proxy, however, they destroyed the democratic process. In the early days of the organizations the proxy looked like a mere convenience. But as the members drifted out of close touch with the business operations of their organizations, the proxy grew in importance. Employees or a small clique of stockholders corralled the votes of hundreds of thousands of members. With a limited amount of ownership and very few individual votes it became possible to control a huge corporation.

If the President of the United States were elected by the proxy system under which the presidents of the great mutual life insurance companies are elected, the Secretaries of State and Treasury would each cast several million votes (by proxy) for the election of members of the cabinet (directors) who would then appoint the President. An economic democracy based on that system would be a travesty. For that reason, when a co-op grows beyond the "town meeting" stage, a system of representative democracy is set up under which the members actually maintain control of the organization.

Cooperative insurance not only takes the exploitation out of fire, auto and life protection. It plays a more important role. It creates a financial backlog which may eventually lead to the creation of a large cooperative banking structure.

Ten years ago the Ohio Farm Bureau set aside a fund of \$10,000 to create the Farm Bureau Mutual Auto Insurance Cooperative. The insurance co-op went into the field, offering auto insurance at an original saving of more than 40 per cent. In ten years the co-op extended its field of operation to eight states. Its assets increased from \$10,000 to \$5,327,000. Surplus and reserves today total more than a million dollars and Farm Bureau Mutual, with 180,000 policies in force, has become the seventh largest mutual company in America. From funds borrowed from the auto insurance co-op, the Farm Bureau a few years ago created its own fire insurance cooperative. Late in 1935 it saw the need of further expansion and purchased the controlling interest in the Life Insurance Company of America, Columbus, Ohio. Reorganized on a cooperative basis, the company, now known as the Cooperative Life Insurance Company of America, has increased its coverages every week from \$50,000 to \$100,000 and has already in force more than two million dollars of cooperative life insurance.

Other cooperative insurance ventures include the Country Life Insurance Company organized by the Illinois Agricultural Society, in 1926, with \$100,000,000 worth of insurance on its books; the American Farmers Mutual Auto Insurance Cooperative, fathered by Midland Cooperative Wholesale and the Workmen's Mutual Fire Insurance Cooperative, mentioned in the opening pages, with \$86,000,-000 worth of furniture fire insurance in force. In New York State alone, 137 small cooperative fire insurance companies are in operation. Dr. Warbasse, in the latest revised edition of *Cooperative Democracy*, estimates the total for the country at well over 3,000.

### *Credit Unions*

Another variety of cooperative credit extension has been that of the credit union movement. This has had an existence independent of the rest of the consumers' cooperative movement, but is closely allied in aims and sympathies. With a separate education and promotion organization which dates its existence from 1921, it has grown with greater rapidity than any other section of the consumer movement. Its rapid but solid growth has been due to these factors:

(1) Exploitation of small wage earners by loan sharks is more widely recognized than their exploitation by private profit merchants; (2) the program of credit union organization has always been simple and direct, usually without involving a criticism of the capitalist system as a whole; (3) expansion has been forwarded by a closely knit and well financed national organization directed toward one major objective.

The first credit union law, enacted in Massachusetts in 1911, opened the gap for the first official credit unions. In 1921, Edward A. Filene, noted Boston merchant who became interested in this movement a decade before, financed the Credit Union National Extension Bureau to encourage the enactment of state credit union laws, to carry on wide-spread educational work and to assist in the organization of local credit unions. Under the leadership of Roy F. Bergengren, the national bureau secured the passage of enabling legislation in 37 states. In 1932, Congress enacted a Federal Credit Union Law which has opened the way for organization in every state.

Credit unions have so undercut the rates of the loan shark that he

is today staging a desperate battle for existence. In New York City, gangsters have muscled in on the dying loan racket, driving the price of short-term loans up from the legal rate of 42 per cent to 1040 per cent.

More than 200 credit unions are being organized each month. The Credit Union National Extension Bureau has been replaced by the Credit Union National Association, with headquarters in Madison, Wisconsin, composed of and directed by, member associations in every state. A million and a half consumers are members of local unions in industrial plants, labor unions, cooperatives, parishes, teachers' federations, government employees' associations and a host of other organizations. Once labeled "baby banks," the credit unions themselves point to the fact that they are not allowed checking privileges and certain credit functions which are essential to modern banking.

### *Urban Cooperatives*

Still other types of cooperative ventures have succeeded in the cities of the country despite the fact that the dice have seemed to be definitely loaded against them. In New York City, one of the best known is the Consumers' Cooperative Services, organized in 1921 and now operating ten cafeterias on Manhattan Island, a twelve-story apartment house and a credit union. Last year C.C.S. served more than a million meals. Its membership rose to 4500; its business, to \$430,000. With indications of a tremendous growth of interest in the metropolitan area, its members voted to launch an aggressive expansion program. During 1936 and early 1937, however, this cooperative experienced a number of labor difficulties, which affected its business adversely.

Other successful ventures that have succeeded for many years past have been found in the fields of milk distribution, housing and bakeries. The outstanding example of a successful milk cooperative is the Franklin Cooperative Creamery, Minneapolis, organized in 1921 as the result of the lockout of drivers and creamery workers in the Twin Cities. Today this co-op handles between 30 and 40 per cent of the milk distributed in the metropolitan area.

In the field of housing, The Amalgamated Cooperative Apartments, erected in 1927 and 1928, are the most noted. Two projects of this



cooperative, one on Grand Street on the East Side in Lower Manhattan, the other in Van Cortlandt Park, house more than 800 families. In connection with these apartments, occupied to a considerable extent by members of the Amalgamated Clothing Workers' Union, have been organized cooperatives which supply milk, groceries, laundry service, and electricity. These co-ops do a total business of more than a quarter of a million dollars annually. Early in 1937, the members of this housing cooperative built their own electric generating plant which, they estimate, will cut electric bills \$15,000 to \$20,000 a year.

Among other miscellaneous pre-depression co-ops were the Cooperative Trading Company of Waukegan (North Chicago), and the Finnish Cooperative Trading Association, Brooklyn.

With the coming on of the depression, the same economic factors which were responsible for the tremendous growth of farm cooperatives in the twenties began to play on the urban population. 1933-35 saw a steady expansion of existing city co-ops and the organization of hundreds of cooperative discussion clubs, buying clubs, oil stations and stores.

The development of the cooperative movement in Chicago during the depression is typical of its growth in several other sections of the country. In December, 1932, nine consumers in the University district in Chicago organized Consumers' Cooperative Services. Pooling their purchases in their first buying club venture, the members of the co-op ordered \$51.50 worth of commodities. In May, 1937, the business turnover was \$7,000 a month. Meanwhile the cooperative movement began to take hold in the rest of the Chicago area. Today more than 30 cooperative stores, filling stations and buying clubs are banded together in the Chicago Cooperative Federation. The federation employs a full-time educational director. The *Co-op News*, monthly news organ of Chicago Consumers' Cooperatives, estimated in May, 1937, that the co-ops in the area were doing a cooperative business of about a half million dollars a year.

New city co-ops have recently been reported in Milwaukee, Indianapolis, Detroit, Toledo, Cleveland, Youngstown, Cincinnati, Columbus, St. Louis, Lansing, Kalamazoo, Pontiac, Dearborn, Saginaw, Battle Creek, Racine, Flint, Gary, and other cities. Of these, one

of the most successful is the Consumers' Cooperative Trading Company of Gary, which was organized by a Negro group late in 1932, on a capital of \$24. Within two years a buying club evolved into a modern store on one of the main streets, later adding to the cooperative structure a credit union, a filling station and a branch store. The store is today the largest Negro-owned store in America. Negroes in Milwaukee and elsewhere have followed the Gary example.

Cooperative stores have been organized by many diverse groups. In Flint, Michigan, a successful venture was started by an economic study club. At Columbus the employees of the State Farm Bureau organization a few years ago set up their own cooperative. In the same city, a group of college professors at Ohio State University, assisted by several hundred townspeople, set up their own gas and oil station, made collective buying contracts for fuel oil, cleaning and pressing of clothes. The two Columbus co-ops are now doing \$10,000 worth of business a month.

### *Labor Takes a Hand*

Organized labor has recently taken an increased interest in the cooperative movement. One of the outstanding examples of a co-op formed by organized labor is that at Racine, Wisconsin. With the advice and counsel of Midland Cooperative Wholesale, the chief concern of which had previously been farm cooperative organizations, a group of labor leaders in Racine met in July, 1934, to lay plans for consumer action. Representatives of the Painters', Tool and Die Makers', Plasterers' and Machinists' Unions made up the body of the committee. They decided to begin by building a cooperative filling station. When the business men of the town heard of this movement, they brought pressure to bear upon the city council to refuse them the right to build. The members hurdled this obstacle by leasing, on option, a station on one of Racine's main traffic arteries. With an original membership of 300 and a capital of \$1,500, the co-op did a business of \$38,000 in the first nine months after organization. By April, 1937, the membership had grown to 2,200. Today the co-op operates a coal yard and a credit union. It recently moved into a new center equipped with an auditorium, facilities for auto repair and tire service and a grocery store, utilizing its old location as a demonstra-

tion center for radios, washing machines and other household equipment. The Racine Consumers' Cooperative has found that "the cooperative conquest of the city is greatly facilitated by recognizing that the movement is as much a social development as it is an economic one."

### *How Co-ops Grow*

In the development of city cooperatives runs a thread of organizational pattern which ties together the majority of the recent city cooperatives. The pattern which has today become well nigh universal runs in simplified form along these lines:

Cooperative interest is generated in a small discussion group which meets for from six to eight weeks to thrash out thoroughly the economics, social philosophy and technique of cooperation. With this as a nucleus, the group transforms itself into a cooperative buying club. Selecting a limited list of commodities, the members pool their orders and begin to purchase on a cooperative basis through a nearby cooperative wholesale or a regular wholesaler. A purchasing agent is selected to channelize these purchases, to build cooperative interest and to bring new consumers into the club. When a sufficient volume of business is built up, the club opens a cooperative store. In this way a cooperative venture may be launched without a large original outlay of funds. By returning patronage dividends to the club treasury, it is possible to build much of the necessary capital out of savings on purchases.

Six months to a year gives valuable experience to a young co-op which must meet intense competition from private profit business once it steps into open competition. The selection of honest and competent management is more certain because it is possible for the membership to find in its midst those who are willing and competent to shoulder responsibility

Following this pattern, cooperatives in Harrisburg, Washington, D.C., Boston, New York and neighboring cities have swung into action. In Metropolitan New York two years ago cooperative activity was limited to a few pre-depression co-ops. Today fifty-nine cooperative buying clubs are purchasing a thousand dollars worth of co-op label goods per week through Eastern Cooperative Wholesale. Several of these are already in the store stage, while others are well on the



way. Washington, D.C., boasts of a city-wide consumers' club, a co-operative grocery store, a cooperative filling station and a co-op restaurant.

This step by step creation of a city cooperative is never a guarantee of ultimate success, but the technique itself makes possible greater progress with less risk. The fact that cooperative wholesales, owned and operated by retail cooperatives, are available to serve struggling buying clubs puts chain store volume and prices within easier reach and provides guidance and counsel necessary for success.

General consumer interest has been developed by Consumers' Union and Consumers' Research. The next step beyond informing the consumers is to make accessible the goods recommended. Cooperative Distributors, a cooperative mail order house, is already serving 3000 individual members, 150 cooperative buying clubs, and non-profit organizations. C. D. maintains its own laboratory, tests the offerings of private manufacturers and purchases for its members those commodities which most nearly satisfy consumer needs. Its list of commodities ranges from men's shirts to drugs and cosmetics and from radios to office supplies. Organized in 1933, C.D. has built a mail order business and an over-the-counter business for New York consumers of more than \$130,000 a year.

A development which has been watched with greater care by contemporary business than any other factor in the cooperative movement is the Consumer Distribution Corporation. Since 1911, Edward A. Filene has been identified with the credit union movement. With the Credit Union National Association on a self-supporting basis, Mr. Filene turned to another venture in cooperation. In 1936 he announced that he had set aside \$1,000,000 to be used in the organization of a chain of cooperative department stores. During the last year, business surveys have been made in many major cities; personnel has been selected and educational work begun in an effort to lay a firm foundation before the first major move is made. To date neither the first city nor the exact program of action have been made public. Since there are no parallels in cooperative history, both the general public and the cooperative movement are watching this new undertaking with great interest.

## *Rural Electrification*

One of the youngest and most vigorous children of the consumers' cooperative movement is cooperative rural electrification. The lag between capacity to produce electricity and the distribution of light and power to the farm population has long been a national disgrace. With the most highly developed technology in the world and an alleged widespread distribution of common comforts, less than one-eighth of the farm homes in America have electric light and power.

For years, scattered cooperative power plants and power lines had been operating in various sections of the country. When the Rural Electrification Administration was created in May, 1935, by an Executive Order, 50 such co-ops were already in operation. The passage of the Norris-Rayburn rural electrification bill in April 1936 extended the REA and appropriated \$400,000,000 to be used for long-term, low-cost loans to undertake a ten year program to electrify rural America. It authorized loans up to \$50,000,000 for the year ending June 30, 1937 and \$40,000,000 annually for the nine years thereafter.

By May, 1937, the REA had loaned or earmarked a total of \$60,000,000 to build nearly 50,000 miles of electric lines to serve well over 200,000 farms. Farmers, deprived for years of electric light and power because it was not "profitable" for private companies to serve rural areas, have taken the initiative in forming their own utility co-operatives to meet this need. As a result, the *Monthly Labor Review* estimated in September, 1936, that three-fifths of the money loaned had been advanced to cooperative associations.

Numerous farm organizations have actively cooperated with the REA. The Ohio Farm Bureau Cooperative Association had rallied 50,000 Ohio farmers behind projects for cooperative electrification by May, 1937, securing the installation of electricity in 5000 homes. Indiana Farm Bureau co-ops have poured \$40,000 of their own money into organization and research along these lines. By May, 1937, lines to serve 14,000 families were under construction and a long range program had been mapped out to install, within the next ten years, power and light in every county in the state. The Federated Electric Cooperatives, Inc., act as central agency for rural electric

cooperatives in Minnesota. In 42 states, rural electrification projects, predominantly cooperative, are swinging into action.

In the nature of the case, this program has stirred the utility magnates into action. In Miami and Shelby counties in Ohio, a private utility attempted to drive out the co-op by erecting lines paralleling the co-op's, without even the formality of a permit. A race ensued reminiscent of the early days of the iron horse when rival railroads raced construction crews across the plains. The co-op, with the weight of the law, government support, contract member-customers and righteous indignation against the utilities' tactics, won.

In other instances private utilities have refused to supply co-ops with power and have forced them to build their own power plants. Municipal plants in many sections have contracted to supply the co-ops with power, with the result that public production and cooperative distribution of power have taken this important service in many communities entirely out of the profit system.

### *Cooperative Medicine*

Recently cooperation has also moved into the field of medicine. The inequities of our present system of medical service have become so obvious that the Committee on the Costs of Medical Care reported in the fall of 1932 that: "Many persons do not receive service which is adequate either in quantity or quality, and the costs of services are inequitably distributed. The result is a tremendous amount of preventable physical pain and mental anguish, needless deaths, economic inefficiency and social waste."

To meet this situation in a section of Oklahoma, Dr. Michael Shadid, in 1929, called together a group of men in Elk City to discuss cooperative medicine. The result was the organization of America's first consumers' cooperative hospital, launched by 300 members who subscribed \$50 each. For yearly dues of \$25 per family per year the cooperative hospital provides regular examination, treatment, surgical operations and nursing care. The only additional fees are for anesthesia in surgical cases and medicines to take home. In seven years the membership has grown to include approximately 14,000 men,



women and children. In 1936, the cooperative built a third addition to the hospital. The staff of doctors, dentists, and nurses had grown by that time to more than 25. Short-sighted medicos in Oklahoma have attempted to destroy this cooperative undertaking by demanding that the State Medical Board revoke the license of its founder, but have thus far not succeeded.

A special Bureau of Cooperative Medicine has been set up by The Cooperative League of the U.S.A. with offices at 5 West 57th Street, New York, to act as a clearing house for information and to stimulate the organization of similar projects in other sections of the country. Other cooperative health associations are already in operation or being organized in Economy, Indiana, Superior, Wisconsin, St. Louis, New York and San Francisco.

### *College Cooperatives*

During the depression, cooperatives have become popular on many a college campus. At Texas A. & M. a cooperative housing project has cut living costs in half. At the University of Oregon, students who would otherwise have been forced to leave college, have reduced the cost of food and lodging to \$15 a month while the student book store has slashed text book costs. The success of their venture led, in 1936, to the organization of two other co-op houses on the campus.

At the University of Washington, 50 students banded together in the fall of 1933 to form the Students' Cooperative Association. During the first year they saved themselves a total of \$5,000 on board and room. In 1936 ten co-op houses, three of them for women, were in operation on the Seattle campus.

A National Committee on College Cooperatives, set up a year ago with headquarters at 5757 University Avenue, Chicago, is now acting as the organizational and educational center of the college movement. The college committee recently reported that there were in 1937, on American campuses, 36 cooperative book stores, 30 cooperative cafeterias, 42 cooperative dormitories operating 122 housing units, five buying pools, two cleaning and pressing co-ops and 45 miscellaneous cooperative associations. Ninety thousand students are members of

these cooperatives which do a business estimated at between three and five million dollars a year.

### *National Organization*

In Europe, cooperative wholesale associations are often national in scope. One business organization and one educational union, in some cases identical, serve the entire country. In the United States, the movement has grown spontaneously in many sections. Geographic divisions have automatically increased the efficiency of regional organizations. Twenty-three major wholesale and regional organizations are members of The Cooperative League of the U. S. A., the educational federation of consumers' cooperative associations. Educational work is carried on by the national organization, by three regional organizations (Eastern, Central States and Northern States Cooperative Leagues) and through the wholesale associations themselves.

The Cooperative League, fathered by Albert Sonnichson and sponsored by Dr. James P. Warbasse, Brooklyn surgeon, was organized in March, 1916. For twenty-one years it has carried on an intensive program of cooperative education. In 1921, it became a member of the International Cooperative Alliance. From merely an advisory association, the League evolved into a federation of retail cooperative associations. As the movement itself grew, the increased interest in cooperative education drew into the League many of the major cooperative wholesales. With the addition of several large farmer-owned cooperative purchasing associations in the early 1930's, the League established itself as representative of the movement as a whole. It moved rapidly toward a self-supporting federation deriving its funds entirely from dues paid out of cooperative savings rather than from contributions. In 1934 it became completely self-supporting. Its increased responsibility has spurred the League into even more aggressive action.

At the Tenth Biennial Congress of the Cooperative League in Columbus, in October, 1936, more than 1500 retail cooperative associations were represented as constituent members. Individual membership of affiliated organizations totaled three-fourths of a million.

## *Membership of Cooperatives Affiliated with the Cooperative League*

Central Cooperative Wholesale	Superior, Wisc. ....	33,000
Consumers' Cooperatives Associated	Amarillo, Texas .....	15,000
Consumers' Cooperative Association	N. Kansas City, Mo. ....	120,000
Consumers' Cooperative Services	New York City .....	4,500
Cooperative Distributors	New York City .....	8,000
Eastern Cooperative Wholesale	New York City .....	12,600
Farm Bureau Mutual Auto Ins. Assn.	Columbus, Ohio .....	180,000
Farm Bureau Services	Lansing, Michigan .....	35,000
Farmers' Union Central Exchange	St. Paul, Minn. ....	150,000
Franklin Cooperative Creamery	Minneapolis, Minn. ....	4,000
Grange Cooperative Wholesale	Seattle, Washington .....	13,000
Indiana Farm Bureau Coop. Assn.	Indianapolis, Ind. ....	50,000
Midland Cooperative Wholesale	Minneapolis, Minn. ....	60,000
Ohio Farm Bureau Coop. Assn.	Columbus, Ohio .....	50,000
Pacific Supply Cooperative	Walla Walla, Wash. ....	12,000
Penn. Farm Bureau Coop. Assn.	Harrisburg, Pa. ....	60,000
Workmen's Mutual Fire Insurance Society	New York City .....	67,000
The Cooperative Wholesale	Chicago .....	7,000
TOTAL MEMBERS .....		789,100

Not only along educational lines, but in the buying and selling of goods, is the cooperative movement developing organizations in America of a national scope. This is witnessed particularly in the handling of petroleum products. In 1933 several of the wholesale associations distributing such products set up a loose business federation, National Cooperatives, Inc., to make joint contracts. The federation first operated through committees. It first pooled orders for lubricating oil, then other products such as tires, batteries, binder twine, farm implements and tractors. It soon was negotiating for the manufacture under the co-op label of half the output of a tire factory. Collective bargaining brought increased concessions as the volume of cooperative orders increased. In the spring of 1936 eleven cooperative wholesales had become members of the business federation.

With the volume of "committee business" becoming unwieldy, National Cooperatives, Inc., voted in October, 1936, to open a national office in Chicago. In addition to the articles mentioned above, it now sells to its various affiliates equipment for rural electric co-ops, radios, washing machines and general household appliances. Thus one more step has been taken in America by these more than half million members of cooperatives along the road which should eventually lead to the creation of a system based on cooperation for service rather than competition for private profit.



## CHAPTER VI—STORM WARNINGS FOR CO-OPS

IN BUILDING an economic democracy it is well to remember that democracy depends upon general education. Just as the right sort of public schools is essential to the success of political democracy, so constant education is essential to a cooperative. Without both intelligent leadership and membership, the best intentioned cooperative in the world cannot succeed.

To constant education must be added efficient management. The phrase, "consumer cooperation," is no guarantor of success. A cooperative is, after all, a business which operates on a non-profit basis. As a business, it faces all the difficulties of private business, plus a few additional ones. It must respond to the wishes of all its consumer owners. It's management is more exacting for, although authority is delegated to a regularly elected board of directors, the co-op still belongs to the sum of its individual members.

Democracy, at best, has many obstacles to overcome, and, if we are to benefit by its advantages, we must take into account its possible inconveniences. A co-op must prove to be not only as efficient as, but more efficient than, a private profit business. Careful accounting, modern business management, personnel free from nepotism and enthusiastic about cooperative ideals and practices are essential.

Many people enter the cooperative movement with a false idea regarding the profit margins in retail distribution. The margins in retail distribution are not large. This is particularly true in the grocery business where the mass distribution methods of the chain have forced profits to a minimum. Working on a three to ten per cent margin is not a business for amateurs. If the co-op is to conquer the chain, as has been before indicated, it must match efficiency with efficiency. The unwieldiness of the chain's superstructure, and the fact that chain savings can be met on carload quantities which are rapidly becoming available through cooperative wholesales, make competition with the chains a possibility. Central Cooperative Wholesale and its 145 affiliated stores have met it successfully. Consumers' Cooperative Association, building a volume in gas and oil and then moving swiftly into the grocery field, has created an important cooperative technique.

Consumers' Cooperative Service, Chicago, with intensive education on specifications, rather than on exploitive brands, offers another

technique for meeting chain competition. Failure to maintain quality is one of the weakest points of the profit system. Cooperative standards of quality are becoming an important factor in the growth of cooperative enterprise.

Even with margins low enough to cut out much consumer exploitation, the chains still leave business in the hands of the profiteer and accentuate the process of maldistribution. Many of the chain's alleged efficiencies are made at the expense of their employees. Long hours and low wages predominate. And what profits there are flow in larger quantities into the hands of an even smaller number of owners. To the chain's so-called "distribution without waste," the co-op must add "distribution without exploitation."

One of the big problems before the cooperatives, as Dr. Laidler has brought out, is their relation to labor. Cooperatives face a responsibility which has not been generally shouldered by private profit business—a responsibility for the wages and working conditions of its employees. An economic democracy cannot be built on the exploitation of labor. Without detracting from the importance of this statement, it must be accompanied by its corollary—a cooperative cannot be built if it is bled to death by its employees. Isolated illustrations of racketeering at the expense of willing co-ops give evidence of the fact that neither workers nor consumers are without blame.

Even in an Utopia, organization is necessary. The proper distribution to consumer and employees can be justly determined only by the duly selected representatives of workers and consumers. Cooperative employees have an inherent right to organize. This has been recognized by European cooperatives.

This leads naturally to another possible pitfall of a cooperative or a cooperative movement—isolation. The consumers' cooperative movement has been traditionally neutral in religion and politics. But neutrality does not mean that cooperators should be anti-political any more than they should ignore religion. With growing interdependence and the increasing need for the social satisfaction of basic human needs, the cooperative movement cannot stay in isolation. An economy built on the ideal of service rather than profit and substituting cooperation for competition cannot be ushered in by consumers' cooperatives alone. While an important factor in social change, they

are not the only factor. Their field of activity is obviously restricted to consumer organization. Man's capacities as a producer as well as a citizen must also be brought into play.

Producer and political organization point directly to close relations with organized labor and farm marketing cooperatives and to sympathetic support for political action directed toward the creation of a non-profit economic order based on production and distribution for use. The unofficial position of the cooperative movement in this regard is ably set forth by E. R. Bowen, General Secretary of the Cooperative League, in his "General Plan for an American Cooperative Economic Democracy," published in the October, 1935, issue of *Consumers Cooperation*:

"To relieve distress in so far as possible in the transition stage, from an age of scarcity to an age of plenty:

"We propose the passage by Congress of social legislation providing for minimum income, leisure and health insurance for everyone, and the adoption of sufficiently higher graduated income and inheritance taxes to pay at least a large part of the cost of such insurances.

"We propose to organize ourselves as voters to recover the ownership of national and local monopolistic utilities, although we consider this use of our political power to be only an evolutionary step towards the eventual organizing of ourselves into an economic body of consumers and producers largely independent of but interdependent with the political state.

"We propose to organize ourselves as consumers into consumers' cooperative associations to recover the ownership of large sections of industry, utilities and finance in order to produce and distribute food, goods and services in abundance.

"We propose to organize ourselves as producers by vocations into labor unions, farm marketing cooperatives and professional associations to provide means for justly distributing the total amount we produce, as well as for determining the hours and conditions of labor.

"To these ends of applying and extending American principles of liberty and equality to the building of an economic democracy, we hereby propose to organize as voters, consumers and producers and to continue in our efforts until we have built a Cooperative Economic Democracy in America, in which we and our children may develop our spiritual, mental, physical, social and cultural lives to their highest degree."

To anyone familiar with the current trend of affairs, the implications of such a program should be obvious. The destruction of the cooperatives and of all democratic processes in Germany and Italy should make members of the cooperative movement doubly aware of the menace of fascism or of any step which would destroy the fundamental rights of the people. The cooperatives in England have served



as a bulwark against fascism, but staunchly alongside the co-ops in the battle against economic despotism, stand organized labor and the Labor party. Czechoslovakian cooperatives learned from rather stark example the necessity of closely allied action.

In spite of the American tradition of democracy, it is impossible to dismiss the threat of fascism with a curt, "It Can't Happen Here." With occasional evidences of incipient fascism it is necessary to think seriously about a program of defense as well as an aggressive program which calls for producer, consumer and political action. As Roy F. Bergengren, executive secretary of the Credit Union National Association rightly declared in his address to The Cooperative League Congress, "It is of first interest to cooperators in the United States that there be no form of dictatorship in our country. That may be a subject on which we must one day unite for political action."

Cooperatives in Europe have created a successful pattern for non-profit mass distribution. In America 2,000,000 farmers and workers are already members of similar cooperatives. With the national movement now fully conscious of its power and pushing forward rapidly under its own steam, there is abundant evidence that the movement will continue to expand.

The democratic principle so essential in political and producer organization is equally important in consumer action. The power of the few has always been the power of the many diverted through the hands of the few. Just as the few cannot govern in a democracy without the votes of the many and just as the few cannot produce goods or wealth in quantities without the brains and manpower of the many, so the few cannot operate businesses to their own profit without the patronage of the many. Consumers' cooperatives direct the patronage of the consumers into businesses owned by the consumers whose savings are returned to the consumers rather than sluiced off into the hands of profiteers. The principle is the principle of democracy applied to economics.

## NOTES—CONSUMERS' COOPERATION

1. *Report of the Inquiry on Cooperative Enterprise in Europe*, p. 73.
2. *Ibid.*, p. 70.
3. *Ibid.*, p. 54.
4. *Ibid.*, p. 137.
5. *Ibid.*, pp. 140-141, see also Sidney and Beatrice Webb, *The Consumers' Cooperative Movement*, p. 211.
6. See Warbasse, *Cooperative Democracy*, p. 297.
7. Sidney and Beatrice Webb, *The Consumers' Cooperative Movement*, p. 7.
8. *Ibid.*, p. 390.
9. Quoted in Laidler, *Socializing Our Democracy*, p. 182; see also Warbasse, *Cooperative Democracy*.
10. Sidney R. Elliott, *The English Cooperatives*, p. 182 seq.
11. Webbs. *The Consumers' Cooperative Movement*.
12. *Ibid.*, pp. 397-8.
13. *Ibid.*, *op. cit.* p. 404.
14. Hall and Watkins, *Cooperation*, p. 215.
15. Elliott, *The English Cooperatives*, Ch. XIII.
16. Laski, Harold J., *The Spirit of Cooperation*, pp. 8-9.
17. *Ibid.*, p. 14.

## NOTES—THE CONSUMERS' COOPERATIVE MOVEMENT

1. Kallen, Horace, M., *The Decline and Rise of the Consumer*, p. 189.
2. *Ibid.*
3. Warbasse, James P., *Cooperative Democracy*, p. 46.
4. May, Henry J. "Is the Cooperative Movement Extinct in the USSR," *Review of International Cooperation*, March, 1936.
5. Warbasse, James P., *Cooperative Democracy*, p. 47.
6. Kallen, Horace M. *The Decline and Rise of the Consumer*, p. 191.

List of Significant Books and Pamphlets on the  
Consumers' Cooperative Movement on page 64

## ERRATA

Top of page 24 should read as follows:

friendship of the employee or the quality of the goods sold, except insofar as they reflect favorably upon the record of profit and loss. In the co-op, the members, through the boards of directors of the local store, own and control the gigantic central organization. In the private chain, a family of thirty owns and two brothers control. In the co-op, the savings are distributed to the 7,000,000 who make those savings possible. In the private store, the profits (savings) gravitate into the hands of the few. Ownership and control are directly reversed to the practices of profit business.

Last line page 45 should read:

of the country—in Maynard and Fitchburg, Mass., among the Finns;



## SIGNIFICANT BOOKS AND PAMPHLETS ON THE CONSUMERS' COOPERATIVE MOVEMENT

### BOOKS

- Baker, Jacob, *Cooperative Enterprise*, Vanguard Press, 1937, \$2.00  
Childs, Marquis, *Sweden: The Middle Way*, Yale University Press, 1936, \$2.50  
Elliott, Sydney, *The English Cooperatives*, Yale University Press, 1937, \$3.00  
Fowler, Bertram, *Consumer Cooperation in America*, Vanguard Press, 1936, \$2.00  
Howe, Frederic C., *Denmark: The Cooperative Way*, Coward McCann, 1936, \$2.50  
Kallen, Horace M., *The Decline and Rise of the Consumer*, Appleton-Century, 1936, \$2.75.  
Warbasse, James P., *Cooperative Democracy*, Harper & Bros., 3rd Edition, 1936, \$2.50.

### REPORTS AND MAGAZINES

- Annals of the American Academy of Political and Social Science*, May, 1937.  
Special Edition devoted to the cooperative movement.  
*Cooperative Enterprise in Europe*, a 320 page report of the Inquiry on Cooperative Enterprise in Europe, published in April, 1937, Superintendent of Documents, Washington, D.C. 65 cents.  
*Cooperative League Year Book—1936*, The Cooperative League of the U.S.A., \$1.00  
*Peoples Year Book*, Cooperative Wholesale Society, Manchester, 1937, \$1.00  
*Consumers' Cooperation*, National Magazine of the Consumers' Cooperative Movement. The Cooperative League of the U.S.A., Monthly, \$1.00 per year

### PAMPHLETS

- Alanne, V. S., *Fundamentals of Consumers' Cooperation*, 25c.  
Bowen, E. R., *Sweden—Land of Economic Democracy*, 15c.  
Goslin, Ryllis A., *Cooperatives*, A Foreign Policy Association Headline Book, 25c.  
Laski, Harold, *The Spirit of Cooperation*, 15c.  
Wallace, Henry A., *Cooperation—The Dominant Economic Idea of the Future*, 10c.  
Webb, Beatrice, *The Discovery of the Consumer*, 10c.

### THE COOPERATIVE LEAGUE OF THE U.S.A.

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Acts as a clearing house for literature and information on Consumers' Cooperation

Special editions of *Consumer Cooperation in America* and *Cooperative Democracy* may be secured through the league at \$1 less than publishers price